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Families at odds
Divided loyalties in Hong Kong
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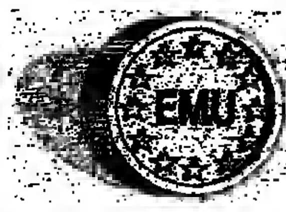

Emu smokescreen
Ministers put on a phoney front
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Light solution
Magnesium makes a comeback
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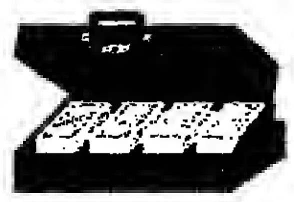

Fighting graft
South Africa's war on corruption
Page 6

World Business Newspaper THURSDAY FEBRUARY 9 1995 D8523A

Chinese blame US satellite for rocket explosion

The US manufacturer of a satellite destroyed in a recent Chinese rocket explosion has described as "extremely premature and irresponsible" claims in a China-controlled Hong Kong newspaper that the satellite itself was the cause of the accident. Page 8

Rhône Poulenc doubles profit:

Rhône Poulenc, the French chemicals and pharmaceuticals group, announced a doubling in net profit to FFr1.92bn ($360m) last year, but investors ware unimpressed, sending shares down by 5 per cent. Chairman Jean-René Fourtou (left) said the rise in profits reflected improved market conditions, exceptional gains from disposals and the benefits of restructuring measures. Page 17; Lex, Page 16; Background, Page 18

China's tough stance on US talks: China signalled a tough stance in copyright talks with the US due to resume in Beijing on Monday. The trade ministry urged the US to drop its "irrational" demands in the interests of a calm resolution of the dispute. Page 9

Turkish aircraft sparks Greek alert: A Turkish F-16 warplane crashed into the Aegean sea after Greek fighters scrambled to drive it off as an intruder, the Greek air force said. It said the aircraft, whose pilot was uninjured, was violating Greek air space and crashed due to pilot error.

Tax reforms in Irish budget: Ireland's finance minister, Mr Ruairi Quinn, introduced broad tax reforms in the annual budget for 1995-96, cutting corporation tax by 2 percentage points, while increasing health allowances. Page 3

Goodyear posts record profit: Goodyear, the world's biggest tyre maker, reported record profits on a 5.5 per cent increase in sales last year, although higher raw material and labour costs began to eat into its profit margins. Page 17

Italian asbestos scare: Environmentalists have revealed that large quantities of asbestos are being poorly stored in disused railway carriages throughout Italy. Page 2

Meeting on live animal exports: British agriculture minister William Waldegrave will meet French counterpart Jean Puech to try to agree a compromise about journey times for live animal exports. Page 10

Russian coalminers strike: Russia's coalminers staged a one-day "warning" strike in protest at late payment of wages. Union leaders said 500,000 workers supported the action. Page 3

Waigel adds to Ecu opposition: German finance minister Theo Waigel said the future European currency should have a name "more comprehensible and closer to the people" than the French-favoured Ecu. Page 2

French steel group in black: French steel giant Usinor Sacilor, which is being prepared for privatisation, returned to the black last year with a net profit of FFr1.5bn ($280m), compared with a loss of FFr5.7bn in 1993. Page 18; Lex, Page 16

Kobe quake damage to cost $2bn: Japanese insurance industry bodies said they expect damage claims from last month's earthquake in Kobe to exceed Y200bn ($2bn). Page 8

Columbian quake kills eight: A strong earthquake, measuring 6,4 on the Richter scale, shook central and southwestern Colombia, killing at least eight people, seriously damaging buildings and injuring more than 100, officials said.

IRA denies planting bomb: The IRA denied it planted a powerful bomb defused overnight in the Northern Ireland border town of Newry. Page 11

US group drops Czech Telecom bid: SBC Communications, the Texas-based group, has withdrawn from an international tender for a stake in the Czech Republic's state-owned telephone company, SPT Telecom. Page 20

Chechens move base out of Grozny: Chechen rebels have decided to withdraw their military headquarters from Grozny but will keep fighters in the city.

Sweden admits submarine confusion: Sweden military chiefs say they may have mistaken small swimming animals for intruding Russian submarines after a navy analysis showed some animals and submarines produced the same sound patterns.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	3,945.80	(+8.41)
NASDAQ Composite	781.24	(+2.27)
Europe and Far East		
CAC40	1,850.91	(-19.53)
DAX	2,067.62	(-4.67)
FT-SE 100	3,072.5	(-0.2)
Nikkei	18,290.2	(-210.30)

US LUNCHTIME RATES

Federal Funds	5 7/16%
3-mth Treas Bills: Yld	5.926%
Long Bond	96 1/8
Yield	7.657%

OTHER RATES

UK: 3-mo Interbank	6 11/16%	(6 3/4%)
UK: 10 yr Gilt	100 3/32	(100 5/32)
France: 10 yr OAT	96.86	(96.82)
Germany: 10 yr Bund	99.97	(100.03)
Japan: 10 yr JGB	96.552	(96.521)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$17.07	(17.11)

GOLD

New York: Comex		
Apr	378.3	(377.3)
London:		
close	$374.8	(same)

DOLLAR

New York: lunchtime		
£	1.5535	
DM	1.53175	
FFr	5.296	
SFr	1.29605	
Y	99.93	
London:		
£	1.5529	(1.5573)
DM	1.5312	(1.5355)
FFr	5.2965	(5.314)
SFr	1.295	(1.3008)
Y	98.825	(99.365)

STERLING

DM	2.3778	(2.3912)
Tokyo close:	Y 99.40	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh16	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft165	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	Ekr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)		Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50		Es230	Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Brussels in new fight to protect European culture

Cresson warns of threat posed by US and Asian software companies

By Emma Tucker in Brussels

Ms Edith Cresson, the French EU commissioner yesterday opened a new front in the battle to protect European culture from American and Asian media imports.

She called for a tax on the telecommunications industry to support multimedia development in Europe and attacked the influence of Nintendo and Microsoft, the Japanese and US software companies.

Ms Cresson, the commissioner for education and training, said it was no longer enough to protect only European television and film-makers from the threat of mass US culture.

She said Europe also needed to ensure that the new information superhighway was not swamped by non-European products as the EU telecommunications market was deregulated.

"Europe is as culturally and industrially threatened by the education and training software of Nintendo and Microsoft as it is by American telavision series," she said in a letter to Mr Marcelino Oreja, the commissioner responsible for audiovisual policy.

However, Ms Cresson will not find it easy to put her ideas into practice.

Even in television, an argument within the Commission over the merits of Europe-wide quotas has prevented Brussels from updating legislation that imposes restrictions on EU broadcasters dating from 1989.

But the Commission did agree yesterday to double the amount of subsidies it gives to Europe's film and television industry to Ecu400m ($492m)

The resources will mostly be channelled towards boosting EU distribution networks as well as towards training and developing productions with cross-border appeal.

Mr Oreja said the need to boost funding was "urgent". According to the Commissioo non-European material accounts for more than 80 per cent of cinema showings and between 55 per cent and 60 per cent of TV broadcasting time.

"I set great store by this programme. It is very important," be said.

He said previous EU funding had supported 781 works of fiction, 385 documentaries, and 178 cartoons.

In spite of agreement on the new funding programme called Media 2, commissioners reached no conclusion on whether to tighten broadcasting quotas imposed on European TV channels.

France is keen to harden Europe's defences against mass US products during its sixth-month presidency of the Union in the second half of 1995. However a proposal put forward last year to tighten existing quotas and extend them to certain new electronic services ran into difficulties after an outcry from industry and certain directorates within the Commission.

The 1989 law requires 51 per cent of material shown by European channels to be of European origin and 10 per cent to be set aside for independent European producers.

However, in many member states it is ignored because of a loophole that says the quotas should only apply "where practicable".

Observer, Page 15

Islamic fundamentalism worries alliance

Nato seeks talks on security with Mideast nations

By Lionel Barber in Brussels and Bernard Gray in London

Nato agreed yesterday to open a dialogue with representatives from Egypt, Israel, Morocco, Tunisia and Mauritania because of concern about Islamic fundamentalism and missile proliferation.

The decision, by Nato ambassadors in Brussels, is part of a new "southern strategy" that Nato and the Enropean Union are devising for tackling instability in north Africa and the Middle East.

France, Spain and Italy are taking the lead, partly because they want to tilt western attention more toward the Mediterranean and achieve a better balance with policy toward eastern Europe and Russia.

The idea is to forge closer ties and exchange information, but it may extend to broader multilateral security co-operation, officials said.

It would not emulate the Partnership for Peace, which covers the former Soviet bloc, and offers a network of co-operation ranging from political and military exchanges to joint manoeuvres.

"Eastern Europe and the Mediterranean are different regions with different problems which require different tools and different approaches," one Nato official said.

The two most immediate threats from the North African region are the possibility of a long-range missile attack and an upsurge in terrorism. Several countries, including the US, France and the UK are exploring defences against ballistic missiles.

"We are no longer looking at a purely east-west problem for Nato. With instability in Africa and the Middle East, the north-south axis is important, and that makes protecting Nato's southern flank more important," a Nato general said.

For its part, the EU is considering an increase in Mediterranean aid to Ecu5.5bn ($6.8bn) over the next five years, compared with a planned Ecu7.5bn destined for eastern Europe.

Spain, which takes over the rotating EU presidency from France on July 1, will hold a Mediterranean conference this year.

In spite of general agreement that more attention needs to be paid to sources of Mediterranean instability - through drugs, rogue regimes such as Libya or Islamic fundamentalism in Algeria and Egypt - obstacles to a common approach loom large.

France is torn about whether to pursue a solo policy toward Algeria or whether to involve its EU partners more actively. The government last week turned down a proposal by Socialist president François Mitterrand for an EU-sponsored peace conference on Algeria.

In a revealing move this week, Mr Alain Juppé, the French foreign minister, offered Algeria as a topic for discussion at the EU foreign ministers meeting in Brussels. But he briefed only French journalists on the contents.

Algeria was French business, explained a French official who noted, half in jest, that some Scandinavian newcomers to the Union would not be able to find Algeria on the map. In practical terms, there is no mechanism for co-ordinating the EU's policy formation with Nato headquarters.

Editorial Comment, Page 15

Reuter

Spanish prime minister Felipe González yesterday rejected attacks on his government's honesty in his state of the nation address

Samsung seeks site for $1bn European chip plant

By Louise Kehoe in San Francisco

Samsung, the South Korean electronics group, plans to build or acquire a large-scale semiconductor plant in Europe to start production by 1997.

Mr Keith McDonald, senior vice-president of Samsung's US semiconductor operation, said the company was evaluating potential sites and considering possibilities such as a joint venture to build a plant in Europe.

The European plant, which may cost about $1bn, is part of a $3bn expansion plan by Samsung to establish itself as a global semiconductor manufacturer with three new sites - in Europe, the US and Asia - outside Korea, where it currently produces all its chips.

"The only way to globalise is to localise production," said Mr McDonald. "That is Samsung's motto."

Samsung is the first Korean semiconductor producer to announce plans for European production. However, NEC and Fujitsu of Japan already have European semiconductor operations in the UK.

NEC announced last year that it would spend about $800m on a chip plant at its existing site in Scotland. Fujitsu is doubling the

Continoed on Page 16

Poland nears pact on new PM

By Christopher Bobinski in Warsaw

Poland moved towards a new government yesterday when Mr Lech Walesa, the president, gave preliminary backing to Mr Jozef Oleksy, the ruling leftwing coalition's compromise candidate for the premiership.

Mr Oleksy, who was minister in charge of negotiations with the trade unions in the last Communist government in 1989, will try to form a coalition to replace that led by Mr Waldemar Pawlak, the head of the Peasant Party (PSL). Mr Pawlak agreed to relinquish the premiership at a meeting of PSL party leaders on Tuesday night.

Mr Oleksy, 49, an economist, has been speaker of the parliament since autumn 1993.

Mr Oleksy now faces what are expected to be difficult negotiations to form a government acceptable to both coalition partners. Only once agreement on ministerial appointments has been reached would Mr Pawlak formally be replaced.

The choice of Mr Oleksy, a senior member of tha Left Democratic Alliance (SLD), marks a shift in tha balance of power

Continued on Page 16

Heads roll as Walesa plots his destiny, Page 2

Stet ponders link with IBM network

By Andrew Hill in Milan

Stet, Italy's state-controlled telecommunications holding company, is in talks with International Business Machines about the US computer group's plans to develop its global communications network.

In a short statement yesterday, Stet said it was assessing possible co-operation with IBM, with a view to "reinforcing its presence on the market".

IBM is believed to be discussing its global network project, offering sophisticated voice and data services to multinational businesses, with a number of other potential partners worldwide. Stet is the first European telecoms company to emerge as a possible ally.

The US company is making a strong effort to lead other computer groups in the development of network-oriented computing, which it believes will be the next high-growth market.

IBM is linking high-speed nstworks around the world to offer businesses a range of computer services, which could be customised for individual multinationals. Mr John Whiteside, appointed last year as head of IBM Global Network, the new division responsible for the project, has described the result as a "business person's Internet", after the global information network to which almost any user can have access. IBM hopes its network will be considerably more sophisticated. The US company already has technical agreements to lease lines from a number of telecoms operators.

Last week, IBM and GTE, the largest regional US telephone company, signed a strategic agreement to give mobile telephone users access to IBM's global network services in tha US.

Stet said that any co-operation agreement with IBM would be open to other partners, although it denied reports in the Italian press that other Italian groups might be involved. It is not yet clear whether IBM would be prepared to take a stake in Stet.

The Italian group's share price has risen by more than 10 per cent in recent weeks, partly on speculation about a possible international partnership. The group itself - 64 per cent of which belongs to Iri, the Italian state holding company - and its main operating subsidiary, Telecom Italia, are engaged in a concentrated publicity drive ahead of further privatisation of Stet this year.

A deal with IBM would fit Stet's strategy of international alliances. For example, its multimedia subsidiary is partly owned by Bell Atlantic, tha US telecoms group.

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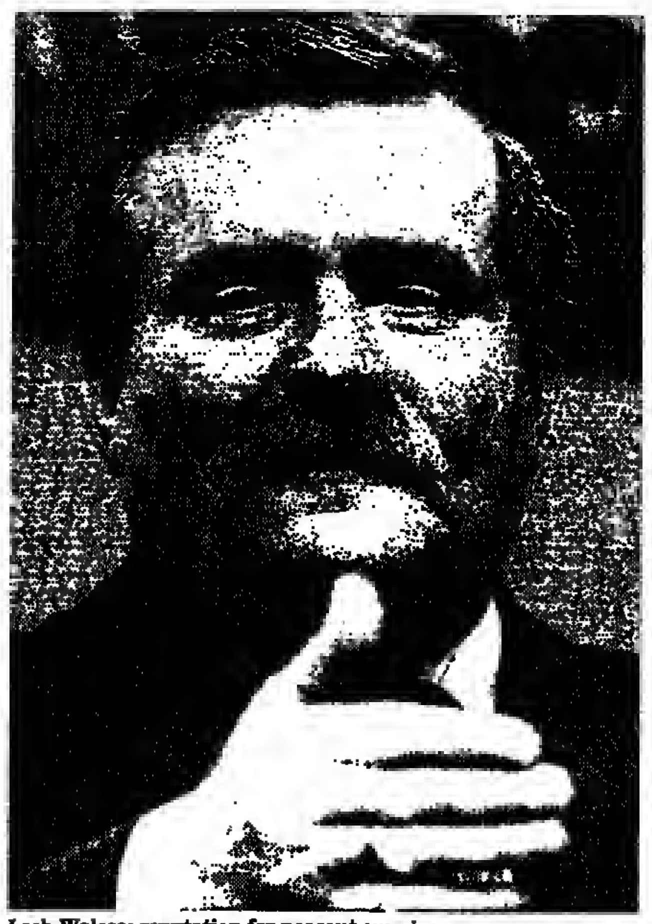
NEWS: EUROPE

Heads roll as Walesa plots his destiny

Poland's president has his eye on elections, write **Anthony Robinson** and **Christopher Bobinski**



Lech Walesa: reputation for peasant cunning *Ashley Ashwood*

The wiry Polish shipyard electrician of yesteryear has turned into a puffy, middle-aged politician-president. But Mr Lech Walesa has lost none of his ability to undermine and out-manoeuvre his political opponents.

This week he brought down Mr Waldemar Pawlak, the prime minister. Other political heads are likely to roll in the months ahead as the president plots and schemes his way through to his eventual goal – victory at the presidential elections in November.

Whether Polish voters will then reward him for forcing months of political turmoil on them remains to be seen. But in the meantime Poland's most unpredictable and charismatic politician is likely to occupy centre stage.

His ability to make and break governments and political careers is formally derived from the right to nominate the ministers of foreign and internal affairs and defence. These powers were granted by the "small constitution" amendments to the existing communist-era constitution.

But the real source of his power is the reputation for political shrewdness and intuitive, peasant cunning which he gained by leading the Solidarity movement's historic victory over the communist Goliath in 1989. This victory endowed him with a rich political capital and impeccable anti-communist credentials.

These have allowed him to pose as the ultimate guarantor of Polish liberties even when, as in 1992, he was scheming alongside close political advisers with a shady communisters past of their own to bring down a right-wing and anti-communist government led by a former Solidarity lawyer, Mr Jan Olszewski.

Mr Walesa unashamedly played on the prejudices of the left to bring pressure on Mr Olszewski. Similarly he had utilised the confusion and economic hardships caused by the "shock therapy" economic reforms of the first post-communist government to bring down Mr Tadeusz Mazowiecki as part of his strategy to bring about presidential elections in 1990.

By unseating Mr Pawlak this week Mr Walesa has once again shown his ability to destroy his own creation. For it was the president who first brought the young Peasant party leader to prominence in 1992 when he nominated him to try to form a government to replace Mr Olszewski.

The attempt was frustrated by the Solidarity politicians who succeeded in nominating Ms Hanna Suchocka instead.

But 18 months later, after Mr Walesa unexpectedly torpedoed the Suchocka government by insisting on early elections after a narrow parliamentary defeat, he returned to the charge.

With the president's support Mr Pawlak became prime minister of a coalition government formed from the two parties with roots in the communist past which, against Mr Walesa's initial calculations, emerged victorious.

Mr Walesa has suffered as many defeats as tactical victories. In the 1990 presidential elections, for example, he initially expected to be elected by a virtual plebiscite. In practice he was forced into a humiliating second round run-off against Mr Stan Tyminski, an obscure Polish-Canadian emigrant.

Now Mr Walesa has to prove that unseating Mr Pawlak will be more than a pyrrhic victory. For, while agreeing to replace the prime minister, the Peasant party caucus refused to put forward the name of Mr Alexander Kwasniewski, the former communist Left Democratic Alliance (SLD) leader suggested by Mr Walesa. Instead it opted for Mr Jozef Oleksy, an intelligent, amusing but deeply cynical former communist turned pro-market reformer.

It would be hard to find a more bitter pill for Mr Walesa. For Mr Oleksy is openly contemptuous of the man he describes as our "proletarian president". In turn Mr Walesa dislikes the man who was in charge of negotiations with the trade unions in the last communist government.

If Mr Oleksy manages to become prime minister the resulting SLD-led government is likely to be more efficient and less amenable to presidential sabotage than Mr Pawlak, who had a weaker power base as leader of the junior coalition partner.

Even more dangerous for Mr Walesa's presidential ambitions, however, is the fact that such an arrangement would leave Mr Kwasniewski as a loose cannon, still in reserve as the potential presidential candidate of the left.

It was precisely to remove Mr Kwasniewski from the presidential race that Mr Walesa, who relies mainly on the votes of the divided anti-communist right, began the manoeuvres which made Mr Pawlak the first, but almost certainly not the last, victim.

Observer, Page 15

Waigel fuels anti-Ecu sentiment

By David Marsh in Berlin

The name of the future European currency should be "more comprehensible and closer to the people" than the French-favoured Ecu, according to Mr Theo Waigel, the German finance minister.

At a ceremony in Berlin on Tuesday night to celebrate the birthdays of two former Bundesbank presidents, he supported the recent claims by the German central bank that the German electorate, already sceptical about the single currency, would find it difficult to accept one called the Ecu – an abbreviation for the European Union's composite currency unit. The Ecu has lost a third of its value against the D-Mark over the last 20 years.

Mr Waigel warned the assembled European bank governors – including the presidents of the British, Swiss and Dutch central banks and the head of the European Monetary Institute – that Bonn would take a tough line over conditions for economic and monetary union. Such a union is planned for 1999, at the latest, under the Maastricht treaty.

Emu could take place only as part of a stable European community, Mr Waigel said, expressing the German government's wish for progress towards political union at next year's EU conference to review the treaty.

Mr Waigel supported recent statements by Mr Hans Tietmeyer, the Bundesbank president, on the need for EU members to fulfil on a permanent basis the "convergence criteria" established under Maastricht as conditions for Emu membership.

The final stage of monetary union would take place only if EU states adhered "completely" to these criteria, he said. Mr Tietmeyer, who also addressed the gathering, said Emu would become reality only when the time was "right" – which, he indicated, could be after 1999.

Mr Waigel made an ironic reference to efforts to rescue the French franc from speculative onslaughts at the height of the monetary turmoil affecting the exchange rate mechanism in the summer of 1993.

Lifting the veil on an episode which the French and German monetary authorities have treated discreetly, Mr Waigel criticised Paris over travel arrangements connected with a secret meeting in Paris on July 30 1993.

A top-level German delegation arrived in the French capital early in the morning that day for negotiations with the French finance ministry and central bank. But, Mr Waigel complained, the visitors were driven to the French finance ministry in "a bus which visited all the bridges of Paris," hampering efforts to find a timely solution to the currency turmoil.

Tuesday's ceremony marked the recent birthdays of Mr Helmut Schlesinger (70) and Mr Karl Otto Pohl (65), who between them headed the German central bank between 1980 and 1993.

European Commission rejects French insurers' complaint

Post subsidies escape censure

By Emma Tucker in Brussels

The European Commission yesterday ruled that state subsidies given to national postal services did not infringe EU competition law, provided the funds were not used to finance liberalised services.

It rejected a five-year-old complaint from French insurance companies that tax benefits given to La Poste, the state-owned post office, were helping to finance its insurance business.

The ruling sent a strong signal to other EU post offices, increasingly diversifying into profitable new areas, that subsidies would only be tolerated within certain limits.

Postal services across the Union are expected to come under the scrutiny of Brussels' competition authorities over the next few months. Mr Karel Van Miert, the competition commissioner, is worried that post offices are abusing their monopoly positions to undercut private sector providers of competing services, such as financial and insurance policies.

As a first step, Mr Van Miert is likely to demand that post offices in all member states separate their accounts to ensure that no cross-subsidy occurs.

"Mr Van Miert has always said he does not want cross-subsidies in the public sector," a spokesman for the commissioner said yesterday.

In France, La Poste, whose network of outlets extends to the remotest parts of the country, has become increasingly competitive in offering financial services and insurance products.

But the Commission, in its ruling, said it considered that the benefits granted by the state amounted to less than the cost to La Poste of maintaining its public sector commitments, and therefore were not being used to cross-subsidise La Poste's other services.

"The total additional cost linked to the public service activities are higher than the fiscal advantages," it said.

Most EU countries are reluctant to liberalise their postal services.

One of the chief fears is that people living in remote areas will suffer because private companies would not bear the burden of providing a universal service.

In Holland the post office was privatised last year, but an attempt to follow suit in the UK collapsed, largely because of insufficient public support.

Along with energy deregulation and various sectoral agreements in industry, Europe's postal services rank among Mr Van Miert's priorities for his new five-year term as competition policy commissioner.

Russian coalminers dig in as bill for unpaid wages mounts

Striking Russian miners at a meeting in the Kuzbass region of Siberia, where 95 per cent of the mines were brought to a standstill over the government's failure to pay overdue wages *AP*

The nationwide strike could be a prelude to a crisis, writes **John Thornhill** in Moscow

Russia's coalminers, from Sakhalin in the far east to Rostov-on-Don in the south-west, staged a one-day "warning" strike yesterday in protest at late payment of wages. Union leaders claimed as many as 500,000 workers supported the action.

The mining unions said workers at about 200 mines had stopped work to demand that the government settle claims for Rbs1,300bn ($315m) of back-pay. Mr Vitaly Budko, one of the union leaders, said about 90 per cent of Russia's underground workers had gone on strike.

But similar claims from the unions have proved extravagant in the past and support appeared patchy. In the Irkutsk region in Siberia only two of the nine mines went on strike, while 95 per cent of the mines in the Kuzbass district supported the protest.

Russia's coalminers, who were eulogised in the Soviet era as the shock troops of communism, have retained a reputation for militancy and threaten to renew industrial action on March 1 unless their demands are met.

"If the government persists in ignoring our demands, we will go on a protracted strike and demand early presidential elections and the resignation of this government," Mr Budko said.

Mining chiefs say the industry needs Rbs14,000bn of state money this year but the government is only prepared to provide Rbs6,300bn.

When they get paid, miners receive relatively good wages in comparison with other workers.

According to government statistics, the average monthly wage for a miner in Russia last year was Rbs433,600 ($105) compared with the average monthly income of Rbs204,400.

However, the miners are also seeking guarantees that pits will not be closed down. The World Bank has offered a $600m loan if Russia agrees to close 80 mines in five years. Miners say such closures would be too fast.

Mr Alexander Livshits – an economic adviser to President Boris Yeltsin – has warned that social tensions are rising in other sectors of the economy as the government clamps down on spending, but he has said the miners are likely to prove the "most organised fighters for their rights".

For Mr Yeltsin the worry must be that the coalminers' strikes could acquire the same ominous overtones as those in the summer of 1991 which badly tarnished the reputation of the then Soviet president, Mr Mikhail Gorbachev. Other workers, such as Aeroflot's flight crews are also threatening industrial action.

Some of Moscow's politicians are already taking up the miners' cause. Mr Boris Fyodorov, the former finance minister and leader of a liberal parliamentary faction, has expressed his support for the political demands of the strikers. "For three years the government has talked about the reform of the coal sector but the question has still not been decided.

"It feeds the miners with promises but continues again and again to produce an unrealistic budget and then to cheat. The non-payment of the workers is the direct fault of the executive authorities," he said.

Mr Anatoly Chubais, the first deputy prime minister, has promised to go to southern Russia next week to discuss the local miners' claims.

But one of the most startling aspects of Russian society in the past few years has been the general passivity of many workers in the face of great financial adversity.

The fragmented trade union movement has not proved particularly effective at co-ordinating industrial action and workers at many mines have dissociated themselves from any broader political demands.

"The miners are always going on strike and then go back to work when they are paid a couple of months' wages. As long as the government does not print money to pay them then I think this has only limited economic significance," said one industry expert.

The coal industry, which expects to produce 264m tonnes of coal this year, has been one of the slowest sectors to restructure. Last month, Mr Yuri Malyshev, head of Rosugol, the coal monopoly, described the industry's financial situation as "critical".

The miners are also worried about notoriously lax safety standards, but prospects for improvements seem slim. Mr Pyotr Orlyansky, the director of the October Revolution pit in the mining settlement of Shakhty, about 100km north of Rostov-on-Don, said a lack of funding meant he could not take measures to stem frequent shaft flooding, while work on a new seam which would provide 40 years' work had ground to a halt.

According to Rosugol, 80 per cent of the country's mines are loss-making but the social implications of closing pits are dire, given they are often the sole employers in many remote mining towns. Rosugol will close 17 mines this year but will have to spend heavily relocating miners and their families.

One economist in Moscow said: "The big question about the strike is whether it will be a turning point or just another of the periodic crises which Russia seems to undergo and survive."

Asbestos row hits Italian railways

By Robert Graham in Rome

Environmentalists have embarrassed Italy's state railways (FS) by revealing that large quantities of asbestos are still to be found in disused railway carriages across the country.

At the latest count 2,588 carriages built with asbestos insulation have been found on railway sidings in 221 stations. The spate of accusations by environmentalists about unsafe FS maintenance practices led magistrates in several cities to seal off the carriages.

Industrial use of asbestos was banned by an EU directive in 1987 because of its potentially lethal carcinogenic properties. This only became law in Italy in 1992. The row over the railway carriages has highlighted how slow Italy has been in eliminating the threat.

Asbestos was the principal material for insulating railway carriages, and each is believed to contain 300kg-400kg of the fibre. The potential hazard of large asbestos concentrations forced the FS to begin withdrawing old rolling stock in the early 1980s. The carriages were left at disused sidings across the country.

An FS spokesman yesterday insisted there was no environmental or health hazard caused by the rolling stock. However, the management has been obliged by the publicity to hold meetings this week with government officials and plans have been accelerated to remove the asbestos and decommission the rotting carriages.

The asbestos is to be disposed of within the next three years, half the time originally envisaged. But it is not clear how this will be funded. The FS estimates the current cost per carriage is L30m ($18,600), or a total of about L75bn.

The environmentalists, backed by Green deputies in parliament, claim existing hazardous waste treatment facilities in Italy are inadequate. They also allege the FS has been quietly passing off some of the work to eastern European countries in recent years. The FS has declined to comment on this claim.

In 1983, according to railway trade unions, the FS had about 10,500 carriages insulated with asbestos. Since then, more than 5,000 have been decommissioned and the asbestos treated.

Rail unions and environmentalists groups believe many of the carriages unaccounted for ended up in eastern Europe. The Ukraine government is understood to have had second thoughts about a deal already agreed in principle to accept some Italian rolling stock.

The FS is not the only big user of asbestos to have had treatment problems.

Enel, the state electricity authority, is currently implementing a big programme of asbestos waste treatment. It recently sought permission from the Tuscan authorities to build a waste tip in a mining zone near Arezzo capable of containing 1,500 tonnes of asbestos in 40,000 plastic drums.

EUROPEAN NEWS DIGEST

Jospin edges in front of Chirac

Mr Lionel Jospin, the French Socialist presidential candidate, has pushed Mr Jacques Chirac, Gaullist mayor of Paris, out of second place in the presidential race, according to a CSA poll published in yesterday's Le Parisien newspaper. In the first round of voting, Mr Edouard Balladur, the prime minister, would come top with 28 per cent, followed by Mr Jospin with 20 per cent, Mr Chirac with 18 per cent, and Mr Raymond Barre, the centrist independent who has said he might decide later this month to run, with 6 per cent. The CSA canvassed opinion on Monday, the day after Mr Jospin was formally declared winner of the Socialists' primary election.

Compared with a similar survey late last month, the new CSA poll shows all three non-socialists losing some support, with Mr Jospin gaining 4.5 percentage points. But the poll also appeared to show that Mr Balladur would still win handsomely in the final run-off against any opponent. *David Buchan, Paris*

Russia-Ukraine pact agreed

Russia and Ukraine yesterday initialled a comprehensive friendship treaty and agreed in principle to divide the Black Sea Fleet. Russia has given up its insistence on dual citizenship rights for the Russian minority in Ukraine. Both states also agreed to improve sundered trade contacts and secure Russian energy supplies and Ukrainian payments. "This is a big step towards integration," said Mr Yevheny Marchuk, the Ukraine's first deputy prime minister.

If implemented, the treaty marks a bold step to ease tensions that have plagued relations since the Soviet Union collapsed in 1991. President Boris Yeltsin is expected in Kiev next month to sign the agreement, which would then have to pass both parliaments. *Matthew Kaminski, Kiev*

González outlines EU goals

Mr Felipe González, Spain's prime minister, opened a two-day state of the nation debate yesterday saying he had no intention of dissolving parliament although he was facing the "most difficult and complex" period of his 12 years in power. Setting out a framework for Madrid's presidency of the European Union in the second half of this year, Mr González said that he would be seeking consensus on increasing the EU's competitiveness through structural reforms, on security based on a European defence force, on policies aimed at the Mediterranean, as well as eastern Europe, and on preparing the ground for a 1996 inter-governmental conference to review the Maastricht treaty.

Conservative leader Mr José Maria Aznar, citing a string of scandals that have rocked the minority Socialist government and fuelled strong pressure on the peseta, called for general elections to be held at the end of May. Mr González, however, is likely to fend off the opposition attacks with the support of the Catalan nationalist party, which has pledged backing at least until the end of the year. *Tom Burns, Madrid*

Truce declared at SEAT

The management and unions at SEAT, the Spanish subsidiary of German carmaker Volkswagen, have agreed that 200 laid-off workers will be reinstated and further planned redundancies and work stoppages will be cancelled while negotiations continue. Talks will be held next month on measures to reduce the workforce through incentives and early retirement. The accord ensures that SEAT will be able to complete its planned production schedule, increasing the number of cars made to 390,000 this year after 313,000 in 1994. SEAT announced new lay-offs early this year as part of its restructuring plan, but was met by of strikes causing losses of Pta8bn ($60m). *Reuter, Barcelona*

Albania frees Greeks

Albania's appeals court yesterday freed four ethnic Greeks who had been jailed for spying for Athens, in another sign of thawing relations between the two countries. The four, leaders of the Omonia separatist organisation, were detained in April after two Albanian soldiers were killed in an attack on a military base. Tirana blamed the attack on a "Greek commando", and accused Athens of fomenting separatism among ethnic Greeks in southern Albania. After their trial in July and August, which gave them five-to-seven year jail terms, Greece retaliated with the expulsion of more than 70,000 illegal Albanian immigrants.

The four who are to be freed, and a fifth who was pardoned last December, were given five-year suspended sentences. Judge Zef Brozi deemed the five guilty, but said their trial had been fraught with "procedural violations". They were to be freed later in the day, the court said. The sentences of the four had been reduced several times, as both sides moved to reduce tension. *AFP, Tirana*

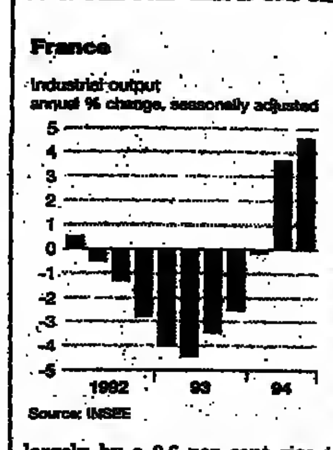
Bremen government set to fall

The government of the city state of Bremen looks set to collapse after the opposition Christian Democratic Union (CDU) claimed it would get broad support for a no-confidence vote in the state's Green environment minister. Mr Ralf Fücks, who holds the environment portfolio in the "traffic light" government (the Social Democratic party (SPD), the Free Democratic party (FDP) and the Greens) is under fire for turning seven commercial properties into bird reserves. The minister notified Brussels of the change without first gaining the approval of the state parliament.

A vote of no confidence is expected on the February 22 or 23, according to a government spokeswoman. The CDU controls only 33 of the parliament's 100 seats but the FDP and some members of the SPD have said they are likely to vote against Mr Fücks. An early election, probably in May, would increase pressure on the liberal FDP which last year failed to get back into nine state parliaments. *Michael Lindemann, Bonn*

ECONOMIC WATCH

French industrial output up



French industrial production rose 1.1 per cent in the third quarter of last year against the previous three months, according to seasonally adjusted data from Insee, the national statistics office. Manufacturing output grew 0.6 per cent in the period. Insee revised down second-quarter growth in industrial output to 2.8 per cent from the 3 per cent it reported in November, and revised second-quarter growth in manufacturing output to 3.1 per cent from 3.3 per cent. It said growth in manufacturing goods production had been generated largely by a 2.6 per cent rise in semi-finished goods output. Production of cars and household items climbed 1 per cent, while the consumer goods sector was up just 0.3 per cent. Industrial capital goods output fell 1.7 per cent from the second quarter because of a 9.1 per cent slide in the ship and aircraft building and armaments sectors. *Reuter, Paris*

■ The rate of seasonally adjusted unemployment in the European Union dipped in December to 10.8 per cent from a revised 10.9 per cent a month earlier, according to the European Commission's statistical office. Spain continued to have the highest unemployment rate – 22.6 per cent in December – followed by Ireland's 17.6 per cent.

■ Greek consumer inflation in January was 11.1 per cent year-on-year, against 10.8 per cent in December 1994.

هكذا من الاصل

Decision time looms for German energy

Judy Dempsey considers the government's options

Germany's governing coalition faces one of its most difficult and politically sensitive decisions since its re-election last October when it meets next week to find ways to finance the country's uncompetitive coal industry.

It is a debate which opens up the whole gamut of issues in the German energy sector: not just the future of coal-fired energy, hut the fate of the nuclear power industry, the drive to promote energy conservation, and to build up alternative energy sources. It cuts across the political divide, pitting north against south as much as left against right.

It concerns not only tha maintenance of important sectors of the German economy - those related to the once-mighty coal mining industry, and those dependent on the high-tecb nuclear industry. It also raises questions of Germany's energy self-sufficiency - an argument in favour of both coal-fired and nuclear energy - as opposed to the cheaper alternativee of imported coal, oil and gas.

The whole subject has been forced onto the political agenda once again because of douhts over the future of the ill-named *Kohlepfennig* - the "coal penny". That is not a penny at all, but an 8.5 per cent levy imposed on electricity consumers to subsidise the DM200 ($130) price difference between domestic coal and cheap imported coal. The subsidy will reach DM7.5bn this year, for an industry which prodnces 14 per cent of the country's total energy needs.

In December, the German constitutional court in Karlsruhe ruled that the *Kohlepfennig* was unconstitutional, and ordered the government to phase it out by the end of this year.

The main plan on the table is to replace the *Kohlepfennig* with a new energy tax. Supported by Ms Angela Merkel, the new environment minister, it is designed to save energy, reduce CO_2 emissions, finance the country's coal prodncers and raise revenue for developing forms of renewable energy.

The tax has received little backing from industry, which says it cannot bear higher energy costs, already among the highest in Europe. It is also opposed by the Ghristian Social Union (CSU), Chancellor Helmut Kohl's Bavarian sister party, which sees it as an unfair tax on tha nnclear industry, the main source of power in Bavaria.

The alternative proposal, favoured by Mr Günter Rexrodt, the Fre Democrat (FDP) economics minister, is for coal to be financed directly hy the budget, without any tax increase.

Bnt Mr Theo Waigel, tha CSU finance minister, fears thet will simply increase the budget deficit. Any resumption of cross-party talks aimed at finding a long-term energy strategy for Europe's largest economy is dependent on finding a solution for coal.

The last such talks broke down in October 1993 after the opposition Social Democratic party (SPD) was unable to agree if nuclear power - providing 32 per cent of Germany's energy needs - had a future in the economy.

Since then, the SPD's stance has hardened; it is in coalition with the fiercely anti-nuclear Greens in several states. Control of the nuclear power industry is shared between the federal government and the states which share responsibility for licensing power stations.

The energy industry is anxious to have clear guidelines for the future. "Do we davelop another generation of nuclear reactors? Can we ever recommission our reactors which have been shut down for political reasons? Can we maintain our competitiveness if nuclear power has no future?" asked an official at RWE, Germany's largest electricity utility. A fifth of RWE's energy is generated by nuclear power. More important for the utilities and industry is that they will become more uncompebtive if they have to pay an energy tax.

If no agreement is reached on the future of relatively cheap nuclear energy, industrial consumers could well be forced to look to neighbouring France for their supplies, wbere the state-run nuclear industry is anxious to export to Germany.

"It is a question of German competitiveness," said Mr Dietmar Kuhnt, the chairman of RWE. "We have to find ways for a sustainable energy mix, and soon."

But in the present political climate, there are few energy experts or party officials who believe agreement on the *Kohlepfennig*, let alone a resumption of the energy consensus talks, is possible.

This is because elections are looming in the SPD/Green governed states of Hesse, and North Rhine-Westphalia, home to Germany's coal industry.

The SPD, its eye on the 100,000 miners in North Rhine-Westphalia, wants an energy tax, while Mr Rudolf Scharping, its leader, said last week he would withhold support for the 1995 budget if financing for coal was not secured.

Even if he got what he wanted, the SPD cannot make up its mind on nuclear energy.

"We are back to square one," said an RWE official. "True, the pressure of time now plays a very important role. But at the end of the day, it's all about politics - which stands in the way of an energy strategy."

Nuclear issue left in sidings

Nothing better illustrates the confusion in Germany's energy policy than the fate of a 116-tonne steel container sitting on a railway wagon in a siding at the Philippsburg nuclear power station, writes Haig Simonian in Bonn.

The container is full of high-level nuclear waste to be shipped for storage at Gorleben in the northern state of Lower Saxony. Following a change in Germany's nuclear legislation last year, electricity generators can store waste, such as spent fuel rods, in Germany rather than having to send them abroad for reprocessing. The delay has been caused by complex and vitriolic legal battles as the virulently anti-nuclear Lower Saxony government has tried to find ways of blocking the shipment. Its tactics have varied from probing the integrity of the container to questioning the competence of the federal governmment in nuclear policy. So far, it has been successful. No solution is in sight. Yet the need for an answer will grow more pressing as Germany is this year due to receive French waste.

Haig Simonian interviews the German environment minister Angela Merkel

Kohl's fresh air from the east

EUROPEAN INTERVIEW

As a woman, an east German and a close political associate of Chancallor Kohl, Mrs Angela Merkel, Germany's new environment minister, has three significant disadvantages.

The first two have led to claims that sbe was just a token in a government dominated by male westerners. The third has led critics to see her as a sop to the powerful industrial interests often enraged hy Mr Klaus Töpfar, her activist predecessor.

Unknown until early 1990, Mrs Merkel, 40, sprung to notice when she became press spokeswoman for one of East Germany's embryonic democratic political parties, whicb she had joined in late 1989. Her subsequent political career has heen meteoric; a stint as spokeswoman for East Germany's shortlived De Mazière government was followed by a switch to the Christian Democrats (CDU), for wbom she was elected a memher of parliament in December 1990.

Barely a month later, she became the party's dapnty chairman, and, almost simultaneously, minister for women and youth, before moving to the environment portfolio after last year's elections.

So extraordinary an advancement has drawn her many critics. Yet although sbe hardly stood out in her previous ministerial post, Mrs Merkel, formerly a researcher in quantum cbemistry, has learned to tackle adversity. Her background as daughter of a protestant minister excluded ber from many cushy jobs in the communist East German regime. Since joining the CDU, she has won praise has a hard worker, whose down-to-earth manner, typical of many east Germans, contrasts attractively with the more superficial characteristics of many western counterparts.

As if to confirm fears among environmentalists, one of Mrs Merkel's first steps was to replace Mr Clemens Stroetmann, the respected top civil servant in ber ministry, soon after taking up her new post. Now, barely 100 days in the job, Mrs Merkel is already facing ber first rites of passage.

In little more than a month, representatives from more tban 180 countries will be assembling in Berlin for the biggest environmental conference since the 1992 Rio Eartb Summit.

At home, sbe is grappling with tha nuclear issue. Last year's modification of Germany's long-standing Atom Law allowed nuclear generators to store spent fuel rods, rather than send them abroad for reprocessing.

However, the first shipment of waste from the Philippsburg nuclear power plant to the Gorleben store has been blocked in a railway siding as lawyers dispute a complex battle between the federal government and the anti-nuclear state administration in Lower Saxony, where Gorleben is located.

The Berlin conference will have an estimated 5,000 participants and will dwarf tbe meeting of the World Bank and International Monetary Fund, beld in the then-divided city in 1988.

But in spite of accusations that she is a lightweight, Mrs Merkel is not fazed hy the challenge. She has two aims. The first is to extend the Rio commitment to cut carbon dioxide emissions beyond the year 2000. The second target is for Germany to set an example to other European Union states. Only that way will it be possible to persuade the EU to make tough Co_2-cutting commitments essential if developing countries, currently excluded, are to follow suit.

"I believe climate change is one of the most important issues," she says, "If we don't change course, developing countries will make all the mistakes of tbe industrialised world." Sbe has no false hopes about persuading many of ber EU partners - let alone the US and Japan - to accept a CO_2 commitment beyond 2000. Agreeing on a timetable for a new protocol - ber otber aim - will be as difficult.

The Rio agreement urged states to reduce CO_2 emissions to 1990 levels hy 2000. Even an undertaking to "stabilise" emissions beyond 2000 would be a success for Berlin, she sald. Though there is little sign of that at present. "I am an optimistic person and we still have a hit of time."

Meeting the Rio commitment will not be too difficult for the Germans. The closure of polluting east German industry has slashed overall CO_2 output, while better environmental controls have helped nationwide. However, the government's target is "to reduce our CO_2 emissions by 25-30 per cent by 2005, compared with 1987".

Burning less carbon dioxide-emitting coal would help. But the German government's hands are tied hy its the commitmeot to subsidise the high-cost coal industry.

Though Germany is unlikely to build any new nuclear power plants and is decommissioning Soviet-designed reactors in the east, the government is committed to its nuclear programme.

Despite unfavourable comparisons with Mr Topfer, promoted to construction minister after last year's elections, Mrs Merkel believes in leading by example. "I hate the idea that one person knows what's good for the world, but I think Germany has a role to play as an industrialised country which already has a relatively strong position lo environmental technology.

"We should go a bit faster than others; Germany should be ooe of the motors; we sbould set an example in environmental policy as we do in some sectors of industry."

Merkel: Germany should set an example to other states on environmental policy

Ireland reforms tax in 'budget for people'

By John Murray Brown in Dublin

Ireland's finance minister, Mr Ruairi Quinn, introdnced broad tax reforms in the annual hudget for 1995-96, cutting corporation tax hy 2 points, while increasing child benefit and health allowances.

Mr Quinn, the Irish Labour party's first minister of finance, said: "It was a hudget for people at work, and especially for those in modest circumstances." With the Irish economy enjoying strong growth, Mr Quinn had plenty of room for manoeuvre.

Bankers hroadly welcomed the measures. However, Mr Chris Johns, chief economist at Bank of Ireland, said fiscal targets could have been a little tighter. "When an economy is growing at 5 per cent, should it be running a hudget deficit, or balancing the books or even repaying that debt?" he asked. Traders were also disappointed that Mr Quinn did not use the robust revenue position to embark on a more radical overhaul of the tax system.

Ruairi Quinn (right): Ireland's first Labour finance minister

The minister'a halanced moves to help business with a hroad package of social welfare reforms reflected the hroad opinion of the three-party coalition, wbich brings together the conservative Fine Gael party, Labour and the radical Democratic Left party.

After a surplus on the current budget in 1994, the minister projected a 0.9 per cent deficit in 1995 of I£310m ($477m). Current expenditure is to be increased by around 6 per cent, above projected inflation.

Mr Quinn projected growth at 5.25 per cent in 1995, compared witb 5.50 per cent in 1994, the highest growth rate in the European Union. Inflation is set at 2.50 per cent.

The minister forecast that consumer spending would increase by 5.25 per cent, while investment would rise by 9.25 per cent, reflecting strong consumer confidence. In addition, amployment is expected to increase by 36,000, or 3 per cent of the total workforce.

The budget anticipates a borrowing requirement, whicb excludes subventions to state companies, of I£813m, keeping Ireland's debt-GNP ratio at 2.4 per cent. This is comfortably within the 3 per cent target set undar the Maastricht treaty "convergence criteria". Ireland's total debt as a proportion of GDP fell from 96 per cent in 1993 to 90 per cent in 1994.

To meet Maastricht conditions for joining the single currency, Ireland has to reacb a ratio of 60 per cent by 1999.

The budget highlights included a cut in standard corporation tax from 40 per cent to 38 per cent, as a first step towards bringing Irish tax rates into line with international standards. Increases in national insurance contribution thresholds were introduced, as a way of encouraging businesses to take on new staff.

The budget included an increase in the personal tax allowance and for the first time introduced tax relief for tenants paying private rents.

The minister announced the lifting of stamp duties for the transfer of shares or property between related companies in order to encourage Irish companies to restructure.

In the wake of the Northern Ireland peace process, Dublin is introducing free travel for pensioners travelling across the border, hringing warm applause from MPs, with the minister himself commenting on tha possibilities open to even Ulster protestant leaders: "Ian Paisley can travel free and I bope that he does."

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Abortion row over Clinton appointment

By George Graham in Washington

The selection of Dr Henry Foster to become surgeon general has turned into a dogfight, like many of President Bill Clinton's nominations before, with apparent misstatements and political miscalculations fuelling an argument on the sensitive issue of abortion.

When Mr Clinton announced the nomination of Dr Foster to replace the controversial Dr Joycelyn Elders, who had to resign after suggesting masturbation should be on the school curriculum, it seemed that he had found an ideal candidate.

He is a conservative Tennessee obstetrician with a stellar record running Meharry Medical College in Nashville and leading a campaign to deter teenage pregnancy, built around abstinence, that has become a national model.

But Dr Foster's chances of winning confirmation from the Republican-controlled Senate are now in jeopardy after a series of conflicting statements on how many abortions he performed.

After initially notifying Congress that he had performed just one abortion, the White House last week issued a statement that the total was fewer than a dozen. Anti-abortion activists, however, have found the transcript of a 1978 hearing in which a Dr Foster said that he had performed close to 700 abortions and amniocenteses.

The accuracy of the transcript has been questioned by Dr Foster and other participants in the hearing, and in any case, the amniocentesis test is now performed almost routinely during older women's pregnancies, without any necessary implication of abortion.

The row has highlighted the Clinton White House's apparent inability to establish accurately the number of abortions – a taskforce is now belatedly combing the records at Dr Foster's hospital – and its failure to recognise the political sensitivity of the issue.

Anti-abortion groups had always appeared likely to oppose Dr Foster's confirmation – despite his record of promoting sexual abstinence among teenagers – because of his long participation in Planned Parenthood, a family planning organisation.

But the inaccurate information provided to Congress has given Republican senators who might otherwise have been reluctant to oppose such a well-qualified surgeon general an excuse for not going against their anti-abortion supporters.

"I think you've got a real problem with credibility. He hasn't been, or the administration hasn't been very credible, with Congress," said Senator Don Nickles, an Oklahoma Republican.

The final question concerns Mr Clinton's own backbone. Women's groups as well as black organisations were outraged by the speed with which the president dropped Ms Zoe Baird, nominated attorney general, and Ms Lani Guinier, picked as assistant attorney general for civil rights, when they ran into controversy.

Lifelong skirmish turns into war

Sally Bowen and Raymond Colitt visit the disputed Peru-Ecuador frontier

On the dirt road outside Peru's northern military command headquarters in Bagua, dozens of women wait for news of their sons and brothers. Some are stoical, some angry, many in tears: all fail to understand why a long-standing border conflict which periodically erupts into light skirmishing has flared into what increasingly looks like full-scale war.

Bagua, now converted into the nerve centre for military operations on the Peruvian side, is a scruffy, normally tranquil town of several thousand inhabitants. Most depend on rice-growing and small commerce for a subsistence-level existence. Rice paddies line the broad Maranon river which eventually flows into the Amazon, while the cloud-covered *Condor Cordillera* stretches to the distant horizon.

The main combat zone, on the Cordillera's eastern side, is about 100km north of Bagua: here the land is hilly, vegetation tropical and the heat intense. The only inhabitants are scattered native communities. Heavy rains are frequent and there are no roads, although some of the rivers are navigable by dug-out.

The area has never had great economic significance for Peru. Although a couple of oil-wells have been drilled and the northern Peruvian pipeline runs close to the frontier, there has been no effort to colonise. A military presence has been maintained in a number of guard posts, mostly near the 78km stretch of border where, although geographically defined under the 1942 Rio Protocol, official boundary markers have never been established.

It is unclear how long Ecuadorean troops have been inside this zone: two or three months, according to the Peruvian authorities; years according to the Ecuadoreans. But, since Ecuador shot down a Peruvian helicopter on January 27 over what Peru insists is legally its territory, Peru has mounted a massive military operation to dislodge "the invader".

Both sides are vying for the strategic positions of Tiwinza, Coangos, and Base Sur along the headwaters of the Cenepa river, Ecuador's only access to the Amazon.

For the past week, Bagua's dirt airstrip, Valor, has throbbed with activity as Antonov transport aircraft ferry in supplies and ammunition from Lima.

Only a small, thatched hut serves as a store-house for a hundred-plus cases of 122mm grenades, flown in from the Andean military base at Huancayo. The date of manufacture, stamped on the side, is 1955.

As each Antonov grinds to a halt, 50 soldiers leap out, arms at the ready, chanting anti-Ecuadorean slogans.

Some have experience of jungle operations from service in the 13-year internal war against *Sendero Luminoso* guerrillas; but most come as raw recruits to combat.

From Bagua's El Milagro base, the troops are deployed in smaller aircraft and helicopters to the forward base of Ciro Alegria. Some are dropped directly into the dense and steamy jungle some 50km to the north. From here they must hack their way through virgin undergrowth to search out Ecuadorean patrols and positions. Combat is, perforce, close.

"Trees can be 30 to 40 metres high here," said Colonel Medina, commanding the Valor airstrip. "A rocket-launched grenade can explode in the tree tops and the men below remain unharmed."

Casualties, meanwhile, are mounting. The authorities admit officially to only 26 Peruvian dead but it seems likely the real total is already considerably higher. The 100-bed field hospital at El Milagro is full – alongside around 40 with bullet and shrapnel wounds are soldiers suffering from infected snake and insect bites, dehydration and foot-rot after days patrolling in hostile jungle.

On the Ecuadorean side, transport helicopters have been moving in troops from Fort Condor in the town of Patuca some 50km from the zone of combat to fortify the half-dozen military detachments along the disputed border line.

While Mirage jets and attack helicopters fire away overhead, the feared Iwia brigade of Shuar Indians silently patrol the dense jungle with *Servatanas* or blowguns strapped around their shoulders from which they fire poisonous darts.

Indigenous peoples have played an important, but little-recognised role in the two-week border conflict. As scouts within each platoon they employ their knowledge of the terrain and survival tactics in the jungle.

Although the Shuar Indians in the southern province of Morona Santiago have been neglected by both the local and national government for decades, they are among the most devoted fighters in the Ecuadorean military. One said: "We are willing to fight our Shuar brothers on the other side of the border if need be."

Until three weeks ago the Shuar communities, which were separated by the border line established in the 1942 Rio Treaty, traded chickens for cigarettes and played soccer.

On the Ecuadorean side the official death toll stands at 11, with 26 wounded and two missing. However, the independent Latin American Association of Human Rights said yesterday there were at least 200 dead and injured on both sides, with some 15,000 civilians displaced in southern Ecuador and 5,000 in northern Peru.

Over the past week in Peru, public support for the armed forces has mounted, with parades and demonstrations held in almost every town across the country.

With talks in Brazil at an impasse, there is reason to fear that military enthusiasm and popular support on both sides will prolong what most outside observers view as an anachronistic and absurd dispute.

A bloody territorial dispute that won't go away

1940s Ecuador comes off worst in 1941 war with Peru over large area of Amazon Basin, a dispute having its origins in Spanish colonial times; the Rio Protocol treaty (1942) cedes much of region to Peru; before marking of border is completed, complicated by discovery of new river system, Ecuador president announces protocol is inapplicable (1950).

1950s Border adopted by Peru strongly disputed by Ecuador; prolonged efforts at mediation fail; Ecuador president declares entire protocol null and void, but this repudiation declared invalid by protocol's four guarantors: Argentina, Brazil, Chile, US (1960).

1960s-70s Co-operative relations between the two countries in other areas develop through various regional agreements, notably the Andean Pact (1969) and the Amazon Co-operation Treaty (1978), but with Ecuador continuing to assert its claims.

1980s Border situation deteriorates; fighting erupts (1981); ceasefire established and two sides undertake to maintain peaceful relations; no permanent solution reached and tensions surface periodically over decade.

1990s Ecuador Congress ratifies declaration repudiating protocol (1991); moves towards reconciliation calm dispute but continuing Ecuador efforts to promote mediation outside the protocol guarantors, primarily to involve the Vatican, flounder; current clashes, with each side claiming to be fighting on its own territory, are worst for more than 10 years.

Source: Longman's Border and Territorial Disputes, 3rd ed., and news agencies.

Mexico near open rift with rebels

By Ted Bardacke in Mexico City

Tensions between the Mexican government and armed rebels in the southern state of Chiapas are increasing, with the two sides inching closer to open confrontation, in the wake of an ultimatum from President Ernesto Zedillo.

Last Sunday, in a speech designed to show that he was taking charge on a number of issues, Mr Zedillo said that the Zapatista rebels should return to the negotiating table immediately or he would call on Congress to back him in carrying out "a definite solution to the conflict".

"It is clear that a decision [on the use of military force] has been made," wrote Mr Javier Ibarrola, an expert on the Mexican military, in the newspaper El Financiero. Since Mr Zedillo's speech, the Zapatistas have claimed the Mexican military has begun to take up offensive positions and claimed many of its civilian supporters are being harassed by the army.

In response, Zapatista sympathisers temporarily kidnapped an army officer. Upon being released, the officer claimed he had been tortured by several men wearing traditional Zapatista ski masks, including one person he identified as "rebel governor" Amado Avendaño, who heads an alternative administration grouping some of the state's opposition forces.

Mr Avendaño denied the charge, saying he was not even in Chiapas when the incident took place. Talks between the government and the rebels have been at an impasse since January 15, when Mr Esteban Moctezuma, interior minister, went to rebel headquarters in the jungle and made several promises on troop withdrawal and political reform.

The rebels say that the federal government has been unable or unwilling to deliver on these promises – a prerequisite for future negotiations – especially those dealing with the removal of ruling Institutional Revolutionary party (PRI) governors in Chiapas and the neighbouring state of Tabasco.

Elections this Sunday in Jalisco state look set to add to Mr Zedillo's problems in Chiapas and Tabasco, where a rebellion by local PRI members against the federal government forced the president to backtrack on a pledge to hold new state elections. The conservative National Action party (PAN) is confident of winning the Jalisco governorship and many polls show the PAN in the lead. Yet many analysts are predicting the ruling PRI would not take such a loss easily and may try to hang on to the governorship through fraud.

Worries about political instability, together with economic uncertainty, pushed up interest rates on peso-denominated government securities in yesterday's weekly auction. Rates on 28-day notes increased 2.63 percentage points to 35.2 per cent, while 3-month paper rose 1.61 points to 35.1 per cent.

Zedillo: 'definite solution'

AMERICAN NEWS DIGEST

Telecoms rule change planned

The US Federal Communications Commission has proposed new rules on foreign ownership of broadcasting and telecommunications companies which could make it much easier for overseas companies to enter the US so long as their home markets are open to competition. But the proposed regulations could make it more difficult for foreign telecoms monopolies to invest in the US until their own markets are opened up to US competitors.

FCC officials said they expected to have the proposed rules ready before the commission has to rule on plans by France Telecom and Deutsche Telekom to buy a combined 20 per cent stake in Sprint, the US long distance telephone company. AT&T, the dominant US long distance carrier, has objected to the Sprint deal, arguing that the French and German telecommunications markets are not open to US businesses.

Under the proposed regulations, the FCC tentatively concluded that its evaluation of whether a foreign stake in a US communications business is in the public interest should should include a new factor: "whether US industry has, or will soon have, effective market access abroad." *George Graham, Washington*

Clinton urges baseball law

President Bill Clinton called on Congress to "step up to the plate" to help resolve the baseball strike by passing legislation requiring players and team owners to accept binding arbitration. Mr Bill Usery, whom Mr Clinton had appointed as mediator, failed to come up with a solution acceptable to both sides, and the president himself gave up after an evening of negotiations at the White House on Tuesday. "I have done all I could to change this situation. Clearly, they are not capable of settling this strike without an umpire," Mr Clinton said, promising to send the text of a bill up to Capitol Hill today.

But Senator Robert Dole and Congressman Newt Gingrich, *Republican leaders in Congress*, issued a statement rebuffing Mr Clinton's proposal. "The president has apparently thrown the ball into Congress's court," Mr Dole and Mr Ginrich said. "We maintain our view that Congress is ill-suited to resolving private labour disputes." *George Graham, Washington*

Venezuelan inflation policy

Mr Luis Raul Matos Azocar, who became Venezuela's minister of finance on Tuesday, said two of his priorities would be to attack inflation and the excess monetary liquidity that is feeding it. New financial instruments from the central bank aimed at absorbing liquidity, called *participaciones*, should be ready to issue next month, Mr Matos said. These will be denominated in dollars but paid for in bolivars. On the country's troubled banks, Mr Matos said the government was "not seeking any ideological or dogmatic reasons for nationalising the banking system. It would be ideal for us if national and foreign financial groups would buy shares in [troubled] banks and resolve the capitalisation problem." *Joseph Mann, Caracas*

No urgency over world's largest iron ore exporter

Brazil cool on mines sale

By Angus Foster in Brasilia

Brazil is in no hurry to privatise the government controlled mining company, Companhia Vale do Rio Doce (CVRD), the new mines and energy minister says.

Mr Raimundo Brito said privatisation of the company, the world's largest iron ore exporter, is "not on the order paper of the day".

"Privatisation could happen, but it is not a priority of this government. It's not urgent. It will be treated with more care," he said in an interview with the Financial Times.

Mr Brito's comments will disappoint foreign investors, many of whom had concluded from earlier hints by President Fernando Henrique Cardoso that the company would be privatised quickly. As well as its iron ore deposits, CVRD has large copper and bauxite operations and foreign interest in any eventual sale is expected to be significant.

The apparent caution about privatising the company is probably related to other controversial reforms Mr Cardoso hopes to implement. The government would be less able to pressure Congress to approve an overhaul of the tax system if CVRD were privatised, since the money raised would remove the threat of a mounting budget deficit.

Later this month, proposals to open some government monopolies to competition will be presented. The government may want to see these measures approved before it starts negotiating the sale of CVRD.

Mr Brito said the electricity sector, almost entirely owned by the central and state governments, was an immediate target for privatisation. The first candidate, a small distribution company in the southern state of Espirito Santo, will be sold at the beginning of May, he said. The target price has not yet been decided. Light, the much larger distributor for most of the state of Rio de Janeiro, will be sold as soon as a problem with a subsidiary is resolved.

هكذا من الاصل

Mark Suzman and **Roger Matthews** warn against hasty judgments on recent events

Corruption long a S African disease

When members of the African National Congress are accused of financial corruption and lavish lifestyles the response of many observers is a knowing shrug.

And so it was yesterday when Mr Allan Boesak, former church leader, veteran anti-apartheid campaigner, regional head of the ANC during last year's elections and President Nelson Mandela's choice as ambassador to the UN in Geneva, was accused by lawyers of misappropriating large sums of foreign aid.

And reports last month that a private tourism promotion body set up by Peter Mokaba, one of the ANC's most radical MPs and chairman of the parliamentary standing committee on tourism, was unable to account for more than R1m (£180,000) in donations, drew much the same response.

The words corruption and Africa are frequently regarded as synonyms by local whites and, since tha ANC's election victory, many bave claimed that it was a question of when, not if, the former freedom fighters developed an excessive taste for the fruits of power.

It was an assumption that was promoted during the election campaign by the incumbent government. Speakers from former President F.W. de Klerk's National party frequently drew attention to the financial maladministration that characterised many states to the north.

However, the NP's praise of its own anti-graft record appeared more than a little disingenuous. During the twilight years of white rule in South Africa, and for some time before that, corruption appeared to be the norm rather than the exception in government.

"The Nats [NP] hled the country dry using the apartheid system for patronage," said a stockbroker. "It would be difficult for the ANC to be any worse."

Indeed, in the three years before losing power, Mr de Klerk was forced to acknowledge that more than R5bn in government expenditure bad been linked to a variety of financial scandals. The real figure was almost certainly much higher. In 1993, the auditor-general revealed that he could not publish unqualified audits for three government departments and 14 statutory institutions and was unable to express any opinion at all on the accounts of two other government bodies.

Even more blatantly disbonest were many of the bureaucrats and politicians running the former "independent" and self-governing black bomelands that were created under apartheid. Officials routinely spent funds targeted for education or welfare on cars and bouses, or simply padding personal bank accounts.

It would be misleading to conclude that public accountability in Soutb Africa has slipped substantially since the transfer of power. While it is ohvious that many former activists are enjoying the benefits of office, there bave not been allegations that members of the new government have been putting their fingers in the till.

Instead, there appears to he an encouraging awareness among the top ANC leadership of the potentially disastrous consequences corruption could have on the economy.

From bis unimpeachable moral base, Mr Mandela has led by example, calling for cuts in cabinet salaries and donating a substantial portion of his income to charity. He has warned tbat if corruption became entrenched in government the ANC would be unabla to improva life for tha black community.

In his closing address to the ANC's national conference in December, Mr Mandela lashed out at bundreds of branches that were unable to account for the use of party funds and bemoaned the fact that "a parasitic class in the ANC has emerged". He instructed those now in the administration not to succumh to the financial temptations of power.

The ANC has also called for a campaign to stamp out fraud and corruption in the private sector, practices which it feels are severely damaging the economy. Although in public business leaders strenuously deny such allegations public, privately many admit that activities such as insider-trading and foreign exchange fraud are widespread. The police commercial crimes unit is currently investigating more than 23,000 fraud cases involving well over R7bn.

A recent survey of local companies by KPMG Aiken and Peat revealed that 79 per cent of respondents admitted having experienced fraud, 97 per cent felt it was a "major problem", and 90 per cent believed that the situation was deteriorating.

There are signs that influence-peddling by many of the growing gronp of black businessmen, frequently former political activists who have or claim close ties with senior members of the ANC, is also becoming widespread. Many white-owned companies are already prepared to fork out large sums of money to such "consultants" in order to maintain lines of communication with the government, particularly given the new emphasis on advancing black candidates for jobs through "affirmative action".

And although this practice too is one that was widely used by Afrikaners in the early days of National Party rule, there is growing concern that employing such middlemen might soon become a prerequisite for any company hoping to drum up new government business.

And while, outside the former homelands, there is no tradition of bribing officials, there has been increasing evidence of such a culture starting to take root. A number of traffic officers have been arrested recently for taking cash in lieu of issuing tickets. It has been officially admitted that many customs officials take bribes rather than collect duties. And the police have acknowledged that some officers are robbing illegal immigrants instead of arresting them.

This could yet prove to he the way of the future.

But with the President Mandela preaching vigilance, and the auditor-general able to keep a closer eye on state accounts as a result of his new statutory independence from the government, there is some hope that the new administration will be, if not sqneaky clean, at least an improvement on the old.

The official reaction to the charges levelled against Mr Boesak, who insisted yesterday that he had done nothing wrong, had not stolen any money, and expected still to go to Geneva, could provide an early guide.

Boesak protests his innocence outside bis home in Cape Town after being accused of corruption AP

Nigerian ruler dissolves cabinet

Nigeria's military ruler General Sani Abacha dissolved his cabinet yesterday, the government's second in command said, Reuter reports from Abuja.

Lieutenant-Ganeral Oladipo Diya said the cabinet was dissolved because some ministers said they wanted to leave the government and go into active politics.

The ministers are seeking to run for office under the military government's transition to democratic rule, the programme which Gen Abacha has yet to announce.

Last year Mr Anthony Ani, the outgoing acting finance minister, said 14 out of tha 32-member cabinet had signified their intention to quit to pursue political careers.

Among the well known politicians in the cabinet are Mr Baba Gana Kingibe, foreign minister, and Mr Lateef Jakanda, works ministar, who have both sought in the past to be president. Ministers holding key economic portfolios such as Mr Don Etiebet, oil minister, and Mr Ani are not known politicians.

Gen Diya said outgoing ministers who were not politicians could be considered for reappointment into the new council but did not say when the new ministers would be appointed.

Gen Abacha, who seized power in November 1993 in the aftermath of an aborted return to civil rule, has promised to announce a new transition programme.

Last year he crushed a campaign led hy the opposition Nadeco group to force him to cede power to Mr Moshood Abiola, the husinessman widely believed to have won an annulled 1993 presidential vote. Gen Abacha promised to make major changes in the government to make it more effective.

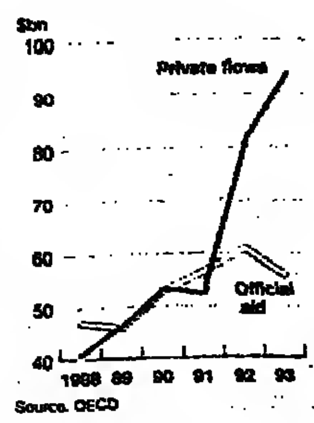
Poor nations suffer twin cash squeeze

By David Buchan in Paris

Industrialised countries are cutting aid to developing countries just as private capital flows to poor nations are slowing too, the Organisation for Economic Co-operation and Development said yesterday.

In its latest annual aid report*, the OECD, which represents the world's richer countries, reports that, after 20 years of stability, its members cut their net official development aid sharply from $61bn in 1992 to $56bn in 1993, the latest year for which figures are available, and show no sign of reversing this.

OECD net aid flows



Source. OECD

Mr James Michel, chairman of the OECD's development assistance committee grouping the 21 main aid-giving governments, said: "All governments are faced with serious budgetary situations, and say they cannot 'ring fence' aid from the pressures of austerity."

Eating into resources available for development, project and infrastructure financc were the seemingly ever greater calls for aid to relieve disasters, natural and man-made, Mr Michel said. Such emergency aid reached $5bn in 1993.

At the same time, he said the OECD detected signs, supported by evidence from the World Bank, that the increase in net private capital flows to developing countries was slowing. After the very big jump from $52.4bn in 1991 to $81.1bn in 1992, private investment and lending rose to $94bn in 1993. Some of this private money could also depart as quickly as it had arrived, as Mexico had recently discovered.

But private lending and investment is not proving a substitute for official aid cuts, because 80 per cent of the net private capital flows are going to 20 per cent of developing countries, chiefly in East Asia and Latin America. Ironically, says the report, many of the less-courted developing countries "could now use more aid, and use it well, because they have been doing so much more to help themselves".

Only four OECD countries increased their ald in 1993; three were minor – Ireland, New Zealand and Luxembourg – while the strength of the yen accounted for the fact that Japan slightly increased its position as the largest provider of official aid, giving $11.3bn in 1993. In absolute terms the US remained second with $9.7bn, but not that far ahead of France ($7.9bn) and Germany ($6.9bn), while in relative terms, Washington is bottom of the league because its aid only amounted to 0.15 per cent of US gross national product.

The end of the cold war produced no windfall resources for development aid, the report notes. But it has at least helped create a consensus between aid-giving and receiving countries on the need for "an integrated process of political and economic stabtlity, good governance, popular participation, investing in people, reliance on market forces, concern for the environment and a vigorous private sector".

Nor are developing countries suffering from increasing amounts of aid being siphoned off to eastern Europe or Russia, which received $6.9bn in 1993, down from $7.1bn the year before.

● The Friends of the Earth environmental group is urging the World Bank to put more concessionary loans into social, rather than physical, investment and to focus on Africa's poorest countries. Its appeal is timed to coincide with the start of negotiations in Paris to renew funding for the Bank's soft loan arm, the International Development Association.

**Development Co-operation 1994 Report, OECD, 2 rue André Pascal, 75016 Paris. FFr170.*

INTERNATIONAL NEWS DIGEST

Kazakhs win nuclear pledge

China yesterday gave assurances to Kazakhstan that it would "not use or threaten to use" nuclear weapons against the central Asian republic, Xinhua news agency reported. The statement follows requests by Kazakhstan for a written commitment from Beijing, identical to one given to Ukraine last December. Kazakhstan shares a border with the Chinese autonomous region of Xinjiang. On several occasions it has expressed concern about China's underground nuclear tests in the Lop Nor desert.

Kazakhstan has also called on China to dismantle its military installations in Xinjiang, but without success. The two countries also disagree on the common border inherited from the former Soviet Union. China seeks the return of three border regions it claims were illegally annexed by the Soviet Union. *AFP, Beijing*

US keeps Lebanon travel ban

Lebanon has failed to persuade the US that it is now safe for Americans to visit and that a 10-year-old US travel advice could be lifted. US and Lebanese officials ended two days of talks on the security of American citizens in Lebanon with a joint statement saying they had held a "frank and productive" exchange "in an excellent atmosphere".

Riad Tabbara, Lebanese ambassador to Washington, said the Lebanese team had attempted to convince the Americans that his country was now as safe as anywhere else. In the past three years, 40,000 Americans had ignored the travel ban and visited Lebanon "and not one incident has happened to them". Washington banned US citizens and aircraft from Lebanon in 1985 at a time when civil war was raging and Islamic guerrilla groups were kidnapping US and other western citizens. The war ended in 1990 but the ban has been maintained. *Reuter, Washington*

EU in Syria peace mission

European Union envoys met Syria's President Hafez al-Assad yesterday at the start of a tour aimed at finding a way forward for the deadlocked Syrian-Israeli track of the Middle East peace process. Mr Alain Juppé, French foreign minister, wbose country holds the rotating EU presidency, has said the tour was aimed at boosting the peace process as it went through an extremely difficult phase. It was the first sucb European mission since the 1993 Olso autonomy accords between Israel and tha PLO. The Syria-Israel track of the peace process, sponsored chiefly by the US, is deadlocked over the scope and timing of an Israeli withdrawal from the annexed Golan Heights, as well as security arrangements. *AFP, Damascus*

More peacekeepers for Angola

The United Nations Security Council was last night set to authorise a larger peacekeeping mission in Angola that would deploy more than 7,000 troops to the war-ravaged African nation over the next three months. The deployment of the UN force would depend on co-operation from the warring sides in Angola. A tentative ceasefire is holding between the formerly Marxist government and Unita rebels led by Mr Jonas Savimhi. Peacekeepers will supervise the implementation of a November 22 peace agreement. This mission comes as the UN is planning to withdraw from Somalia by March 31. The Security Council has been under pressure from the UN's main financial supporter, the US, to limit new peacekeeping operations, especially in Africa. *AFP, New York*

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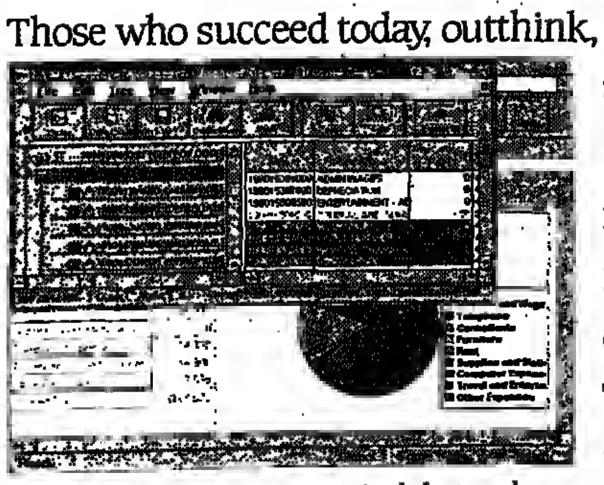

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Japan's current account surplus declines

By William Dawkins in Tokyo

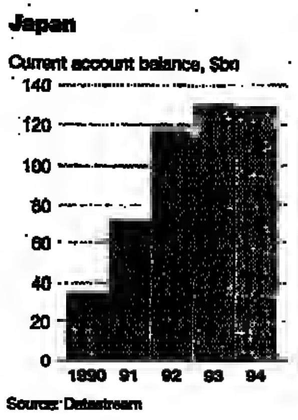
Japan's politically contentious current account eurplus declined in 1994, for the first time in four years, to $129.3bo (£82.8bn) from the record high of $131.4bn in the previous 12 months.

Finance ministry officials and private sector economists greeted tha fall as clear confirmation that the surplus is at last turning the corner. This could relieve the upward pressure on the yen, the strengtb of which is the main threat to Japan's feeble economic recovery.

The 1.6 per cent fall in the surplus comes on the back of a gentle increase in import demand in 1994, the first year of Japan's recovery from the longest economic downturn since the second world war. In December, the surplus rose e fraction by comparison with tha same month in 1993, to $12.8bn, a smaller increase than the market was expecting.

Japan's trade surplus in manufactured goods, the biggest slice of tba current account, rose by 3 per cent in the year to December, to $145.6bn. Bnt within this, imports grew faster, at 13.1 per cent, than exports, up by 9.3 per cent.

What tipped the overall balance was a more than doubling of the deficit in invisible trade in services such as tourism and transport; 13.6m Japanese snapped up foreign holidays, a bargain when paid for in yen. The deficit oo invisihles rose to $8.9bn, from $3.85bn in 1993.



One uncertainty over the impact of tha falling surplus on the value of the yen is Japanese institutions' continuing caution over buying US government bonds, a factor in the dollar's continuing weakness against the Japanese currency.

Japan's net outflow of long-term capital rose elightly over the year, from $78.3bn to $81.8bn, yet contracted sharply in December, to $7.5bn, from $17.6bn in November.

Most economists believe that the economic shock from last month's Koba earthquake will not shift the declining trend in the surplus in the year ahead.

Preliminary trade figures for the first 20 days of January show tbat imports are little affected, hut that exports have shown a slightly larger than usual seasonal drop, attributable to the closure of Kobe port, Japan's third largest.

As for domestic demand, a report from the finance ministry yesterday maintained that the moderate recovery is continuing, with the obvious exceptioo of Kobe, where the economy is still "sluggish". Nationwide, a temporary drop in consumer spending will be more than offset by a rise in demand for imported construction materials, say private sector economists.

However, exports in some sectors are huoyant, suggesting that the decline in the surplus may he slow.

Producers of memory chips yesterday reported a sharp rise in overseas sales, though they believe this ie a ehort-term phenomenon: panic buying by foreign customers in the wake of the earthquake in Kobe.

More significant is a rise in machine tool orders in 1994, the first in four years, reported yesterday by the Japan Machine Tool Builders' Association.

Orders rose by 7.8 per cent to Y573bn (£3.67bn). Traditionally, machine tool sales have been a bellwether of industry's domestic investment plans, but this time the main feature of the upturn is a 23 per cent rise in exports to US carmakers and Japanese companies abroad. Exports accounted for a record 45 per cent of the total.

INDIAN REGIONAL POLLS

Rao faces crucial test as state elections begin in Maharashtra

By Shiraz Sidhva in Bombay

Maharashtra, India's industrial and commercial hub, goes to the polls today, kicking off regional elections in six states that could determine the fate of the Congress (I) government led by Mr Narasimha Rao.

The west Indian state is a Congress stroogbold: it has never beeo voted out of power in Maharasbtra. But the riots that broke out in the state capital of Bombay, India's financial centre, after the demolitioo of the Ayodhya mosque in December 1992, and the bomb blasts that followed in March 1993 have alienated Congress's traditional bedrock of support among Moslems.

Congress also draws its main support in the state from the dominant Maratha caste, which accouots for about a third of Maharashtra's 50m voters.

"For the first time in living memory, I am actually frightened that we will get a thrashing in the polls," a senior Congress leader said yesterday.

In three regional elections in the south last November, Congress was soundly beaten. A further defeat in Maharashtra could force the party into calling an early general election and jeopardise the economic reform programme of Mr Rao.

Also on test in Maharashtra is Mr Sharad Pawar, the chief minister. Mr Pawar, who was defence minister in Mr Rao's cabinet before he was despatched to his home state after the bomb blasts, is considered one of the ruling party's most important leaders and bas often been projected as a credihle alternative to Mr Rao.

Opinion polls suggest that Moslems, who account for10 per cent of the electorate, are likely to boycott both the Congress and the Hindu revivalist Shiv Sena-Bharatiya Janata party alliance.

Mr Pawar, a wealthy busioessman and farmer, cannot depend oo the support of the Maratha vote either. The Marathas, who form a network of agricultural co-operative societies, have recently ewitched their allegiance to the Shiv Sena, a chauvinistic Hindu party under the leadership of Mr Bal Thackeray.

His anti-Moslem rhetoric and tales of corruption in the Congress party have drawn large crowds at public meetings across the state. The Hindu party has also promised sops to farmers, and subsidised meals of rye and millet hread, the regional staple food, for one rupee.

Mr Thackeray says be is confident of winning 150 of the state's 288 seats.

Congress has formed an alliance with the Bharatiya Republic party (BRP), a small but influential powerful anti-Brahmin anti-upper caste party made up of followers of Mr B.R. Ambedkar, a prominent reformist who galvanised the lower castes 50 years ago.

The hustings so far have been low key. In Bombay, the walls are no longer plastered with thousands of posters, the ubiquitous banners and blaring loudspeakers are missing, and the emphasis is more on door-to-door campaigning than on high-spending campaigning.

Mr T.N. Seshan, the country's controversial election commissioner, has insisted that candidates follow a strict code of conduct and has enforced strict curbs on poll expenditure.

"The police and tbe bureaucracy have taken over traditional electioneering practices, and every street corner meeting is being carefully videotaped to ensure that there are no deviations from the code," said a senior Shiv Sena leader.

Sri Lanka expects 6% growth

By Mervyn de Silva and agencies in Colombo

Sri Lanka's economic growth will rise to 6 per cent this year from 5.5 per cent in 1994, Mr G.L.Peiris, the country's deputy finance minister, forecast in the first budget presented by the new People's Alliance government yesterday.

The budget aimed to encourage growth and investmeot by reform of the tax system, privatisation and lower interest rates, he told parliament. This year's deficit would be reduced to around 7 per cent of gross domestic product from 10 per ceot in 1994.

"We have declared war on unemployment and poverty so that a free people can enjoy the beoefits of economic growth tbat we plao to promote by our free economic policies," he said.

In absolute terms the deficit will remain little changed at SLRs85bn ($1.7bo) compared with SLRs84bn last year. Revenues will rise to SLRs158bn from SLRs119bn, while spending will grow slowly to SLRs243bn from SLRs223bn.

Mr Peiris said the government would go ahead with plans to partly privatise a number of state enterprises while retaining ownership of most of them.

It would soon appoint a Public Enterprise Reform Commission to initiate and co-ordinate strategic alliances hetween public sector enterprises and private sector investors.

The government expects the proceeds from these reforms could be over SLRs13bo in 1995, he said. The greater part would be used to retire domestic public debt, Peiris said.

He said the government had lost $800m due to fraudulent privatisation of state assets by the previous United National Party regime.

The government would consider the sale of shares in companies such as the National Developmeot Bank, Lanka Ceramic, Pelwatte Sugar, the Commercial Bank of Ceylon, Lanka Phosphates, Bogala Graphites and the Ceylon Hotels Corp, he said.

The present turnover tax system, in force since the late 1970s, would be replaced with a broad-based goods and services tax.

Mr Peiris said the government would do away with specific import duties and introduce value-added tariffs hut – in a bid to protect agriculture commodities – would impose temporary surcharges, particularly during harvesting seasons.

Under the three-year 1995-97 budgetary framework, economic growth would be accelerated to between 7 and 8 per cent.

Inflatioo would also be cut to 5 to 6 per cent and the budget deficit reduced to 5 per cent of GDP. Western diplomats believe the programme will have little chance of success unless defence spending, pencilled in at SLRs25bn this year, is cut.

The cessation of hostilities between tha army and the Tamil separatists has held for a month, but without a permanent cessation the drain on the island's resources would make the economic reforms futile, according to one European ambassador.

China blames US satellite for launch failure

By Tony Walker in Beijing

The US manufacturer of a satellite destroyed in a recent Chinese rocket explosion has reacted with dismay to claims that the satellite itself was the cause.

In Los Angeles, a spokesman for Hughes Space and Communlcatione described as "extremely premature and irresponsible" reports in a China-controlled Hong Kong newspaper that a malfunctioning satellite brought down the Apstar 2 launch.

Ta Kung Bao reported on Tuesday that "detailed investigations" had established that an explosion on the rocket "was entirely caused by the US-made satellite".

Mr Don O'Neal, spokesman for Hughes, said the company would urge China to stop such damaging speculation. He said it was impossible in the time available for an inquiry into the January 26 blast to have been concluded.

Ta Kung Bao, which would not have published such sensitive material without clearance from the anthorities in Beijing, said a detailed examination of film of the launch had led to the conclusion that a satellite malfunction was responsible.

This is the second time China has blamed Hughes for a launch failure. In December 1992, similar allegations were made after the loss of an Australian Optus telecommunications satellite following an explosion on the launch vehicle.

Ta Kung Pao also raised the possibility of sabotage in its report on Tuesday, saying that countries envious of China's space programme would have a motive. These claims were dismissed by Hughes.

Last month's explosion on the Long March 2E rocket 50 seconds after liftoff from the Xichang launch pad in south-west Sichuan province represented a damaging setback for China's ambitious satellite programme. The newspaper article may well be an attempt to deflect attention from China's launch deficiencies.

The possibility of sabotage was also raised

China plans five further launches of foreign satellites this year, but the January 26 disaster has cast a shadow over such plans. Insurance premiums are set to rise sharply after the failure of Apstar 2.

The world insurance industry faces a $160m (£103m) payout as a consequence. In 1994, world losses from satellite launches reached $770m, far in excess of premiums collected.

ASIA-PACIFIC NEWS DIGEST

Manila protests to Chinese

The Philippine government made a formal protest to the Chinese ambassador in Manila yesterday after it emerged that Chinese forces had recently detained a group of Filipino fishermen on the disputed Spratly Islands in the South China Sea. President Fidel Ramos yesterday said that aerial reconnaissance photographs had confirmed the presence of a Chinese naval installation on the Panganiban Reef in the Kalayaan Island Group belonging to the Spratlys.

This was in breach of the 1992 Manila Declaration where all six claimants to the archipelago – the Philippines, China, Taiwan, Vietnam, Brunei and Malaysia – agreed to desist from violence and militarisation in resolving the dispute. "We hope we can continue to respect peace and settle our differences in a civilised way as mandated under the Manila Declaration," said President Ramos.

Nguyen Mahn Cam, Vietnam's foreign minister, met his Philippine counterpart, Mr Roberto Romulo, in Manila at the weekend. The two countries pledged to respect the Philippine-Vietnam Joint Commission for Bilateral Co-operation on the Spratlys. "Our worst enemy is miscommunication, misunderstanding and distrust," said Mr Romulo. The Spratlys are believed to be rich in both oil and natural gas reserves. *Edward Luce, Manila*

Japan insurers face huge payout

Insurance industry bodies yesterday said they expect damage claims from last mooth'e earthquake in Japan to exceed Y200bn (£1.28bn). The Marine and Fire Insurance Association of Japan, grouping 26 domestic non-life insurers, said in a statement it expects its members will face claims of at least that amount on earthquake insurance policies. The Foreign Non-life Insurance Association, which groups non-Japanese companies, estimated that claims would reach some Y15bn. The association has 25 members, most of whicb are US or European insurers.

Officials from the two associations said their figures were based on rough estimates and actual payouts could be even greater. The earthquake, which most badly damaged the port city of Kobe in central Japan, shattered thousands of buildings and tore up roads and railway lines.

The largest payout in Japan for earthquake damage to date was Y1.21bn which went to the islands off northern Japan in October last year, the Marine and Fire Insurance Association said.

The insurance companies may not have to bear the full burden of payment for claims from January's disaster. Under Japanese rules designed to protect the insurance industry, the government must step in to help insurers if they have to make earthquake payouts of more Y66bn. When payments go above this level but remain below Y336bn, the government has to reimburse the insurers for 50 per cent of the cost. The government pays 95 per cent of the claims if the payouts exceed Y336bn. *Reuter, Tokyo*

Australia faces legal challenge

Attempts by the Australian federal government to pass legislation which would prevent hundreds of Cambodian boat people from claiming an estimated A$100m (£48.2m) as compensation for illegal detention are likely to be challenged in the High Court. The legislation was introduced in the federal parliament last year and seeks to redefine migratioo laws retrospectively, making legal the detention of a group of 480 boat people between 1989 and 1992. Until this week, the federal opposition had balked at the new measures because of their retrospective nature.

This stance has now changed, epparently because of public concern over 700 or more Chinese boat people who arrived in Australia recently. As a result, lawyers for the Cambodian boat people said they would have no choice but to challenge the new legislation in the High Court.

"Unless the government and the opposition are prepared to reconsider their position, or the government is prepared to settle the question of compensation, it appears inevitable that the matter will be tested in the High Court," said one legal adviser. *Nikki Tait, Sydney*

Pakistan takes stand against schools of war

The government believes some institutions are fostering religious violence, reports **Farhan Bokhari**

Pakistan prime minister Benazir Bhutto: 'Important to take action against those spreading sectarianism or engaging in militant activity' in the education system *Associated Press*

The Pakistan government will this month begin negotiations wlth Islamic groups to try to resolve a funding shortage threatening hundreds of religious schools.

The crisis has arisen because of a recent government decision to cut off funding for certain schools which the authorities identified as centres of religious violence between rival factions.

There are concerns among the clergy that the government'e action is designed to further squeeze certain schools reported to have received clandestine help from foreign governments, especially from Iran and Saudi Arabia.

Islamic leaders have reacted with anger to the government's move.

Religious violence between rival hardline Sunni and Shia Moslems has become one of Pakistan's most acute internal security problems in recent years.

Sunnis form the overwhelming majority among Pakistan's 128m Moslems.

A Sunni group, the *'Sipah-e-sahaba'* (soldiers of the prophet's friends), has been active over the past five years in trying to force successive governments to declare officially the Shia as a non-Moslem minority. Many of its activists are suspected by police of involvement in armed attacks on Shia mosques.

In the past year a Shia group, *Sipah-e-Muhammad* (soldiers of the prophet Muhammad), has been formed as a counterforce. The two sides have vowed to continue resisting each other.

The activities of such religious groups are now a source of growing concern in Karachi, Pakistan's business capital, which for years has been the sceoe of athnic clashes between migrants originally from India and the local community. At weekend, 21 died in such clashes. This worsening law and order situation in Karachi has alarmed the business community.

The killings have formed a hloody backdrop as Moslems gether each day for prayers during the holy month of Ramadan, which started this week.

Armed men stand on guard outside mosques to protect the worshippers against 'hit and run' operations such as motorcyclists hurling grenades at mosques.

Ms Benazir Bhutto, the prime minister, has defended the government's decision to cut spending to so-called Islamic schools.

"We think it's important to allow the religious institutions to continne imparting free education, but to take action against those which are spreading sectarianism or engaging in militant activity," she said.

Clashes between rival hardline Sunni and Shia Moslem factions have become an acute internal security problem in recent years

and However, many religious clergymen refute such charges. Maulana Abdul Ghafoor Haideri, an MP for the religious Jamiat Ulema Islam party who supports Ms Bhutto's ruling coalition, says: "In our view, no such armed training is given in any school, nor are there any weapons."

Maulana Fazlur Rehman, JUI'e party leader, has offered to discuss the alleged presence of "terrorist elements" at the religious institutions.

He says he supports the government's move to bring to an end the violence occuring at certain Islamic schools, through an increased police presence, for example. But he insists that the government's broader action over funding is probably based on 'misunderstandings'.

Mr Haideri suggests that the government's move has been triggered by "western influence" amid concerns over the rise of Islamic groups in Pakistan, and the recent emergence of radical Islamic student groups in naighbouring Afghanistan. "The west is worried that the people from religious schools will create an Islamic revolution. It's a preventive step by the west", he says.

Some government officials say such explanations play upon popular fears of western domination, possibly to be used by the clergy in an anti-western campaign. "Fears of a western onslaught heve been used in the past to try to win popular support," says one official, recalling the Gulf war four years ago, when crowds of mostly lower-middle class Pakistanis supported calls by the clergy to protest against the 'western invasion' of Iraq.

But faced with n growing law and order problem, many government officials say that a clampdown has become inevitable.

"It's a tough choice to take on these well-armed groups, but if the government doesn't take action now, there'll still be bloodshed as rivals fight each other," said one official.

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NEWS: WORLD TRADE

US touts idea of free trade deal with EU

By Nancy Dunne in Washington

Mr Jeffrey Garten, US commerce undersecretary for international trade, yesterday raised the possibility of a free trade agreement between the US and the European Union.

He was speaking in the context of plans by the US and the European Union to be announced next month for a joint initiative to revitalise the transatlantic relationship and create a mechanism to head off disputes before they threaten trade wars.

Sir Leon Brittan, EU trade commissioner, and Mr Ron Brown, the US commerce secretary, will co-sponsor a formal US-European business effort to develop a long-term vision of the transatlantic relationship, Mr Garten said.

He added: "The world is moving at a pace outstripping thinkers' abilities to create scenarios. This is a recognition that the markets are ahead of government, that if yoo want to know where things are headed, you'd better pay attention to what the markets are telling you."

The initiative ultimately could provide "a stepping stone" to a US-EU free trade agreement, Mr Garten said. The seeds of both the Uruguay Round and the North American Free Trade Agreement were planted by the recommendations of business groups.

Sir Leon last week in Washington called for a "rethink" on the bilateral relationship. Mr Garten said: "It seems to be on one hand characterised by trade problems and episodic co-operation and, on the other hand, by homilies about cultural affinities and links."

Business would also be asked to recommend the next steps towards developing international investment rules, a particular concern of Sir Leon.

Sir Leon and Mr Brown are to meet again at a industrialised countries' telecommunications conference on February 24 in Brussels to discuss the launch of the transatlantic dialogue.

The US Chamber of Commerce, which has been asked to help lead the process, is concerned that the US has been concentrating too heavily on the large emerging markets. US companies have sales of $1,000bn in Europe; their future is very mnch entwined with Europe's.

The commerce department is looking at three scenarios for the EU, Mr Garten said. The first is a reforming more open Europe.

In the second, unemployment remains high, immigration pressures from eastern Europe are strong, the EU moves towards protectionism and aggressive export promotion. Tbe third possibility, the "muddling through strategy," foresees growth of less than 3 per cent, no improvement in unemployment and preoccupation with enlargement and internal problems.

'Separation' mars Middle East integration

Israel's security concerns still stand in way of implementation of free trade zone, writes **Julian Ozanne**

Things seemed to be going well at regional Middle East trade talks in Egypt this week until the trade ministers of the US, Jordan, Egypt, Israel and the Palestinians released a final communiqué yesterday.

Mr Nabil Shaath, the Palestinian "minister", publicly argued with the drafters of the document in the lobby of the Hilton botel, insisting it be changed to represent the Palestinian view that talking about regional integration is pointless so long as Israel keeps up its closure of Gaza and the West Bank and plans to separate Palestinian and Jew.

"Separation and integration can't go together," Mr Shaath said. "Yon cannot have a free trade zone with Israeli closures, seizures, blockades and barriers to the freedom of movement of goods, people, investment and tourists."

Mr Shaath'e intervention exposed the political obstacles that still stand in the way of the creation of a Middle East free trade zone and a regional trading bloc centred on Israel, Jordan, Egypt and the Palestinians. Many observers believe the absence of a solid agreement with the Palestinians or a comprehensive Middle East peace embracing Syria and Lebanon and continuing Arab fears of Israeli economic domination make the vision of a free trade zone a distant one.

Nevertheless the five trade ministers yesterday took another step towards the creation of a new Middle East, agreeing to remove all trade barriers soon, including the Arab economic boycott of Israel, and to take measures to speed regional integration and open markets.

"This meeting, not imaginable a few short years ago, underscores the commitment of the participants to the peace process, and to the goals of economic co-operation and co-ordination, trade and development whicb underpin and are an integral part of thet process," the communiqué said.

The ministers pledged to increase co-operation, support private sector and regional infrastructure projects, liberaliee and harmonise trade regimes, minimise restrictions on foreign investment and the free flow of capital, promote regional business missions and develop a super-information highway to collect and disseminate trade and investment opportunities in the region.

The Taba declaration was meant to build on the Casablanca Middle East Economic summit last year which committed participants to creating a common market from the Atlantic to the Gulf and show foreign investors there is momentum in the region.

"Taba has been a meeting of historical consequences," said Mr Ron Brown, US commerce secretary. "It is an important, albeit incremental step, to increasing the comfort level of investors."

Mr Brown has been seeking to use Washington's clout to drive forward the development of trade and regional integration. Earlier this week be pledged US President Bill Clinton's support to giving Palestinian exports preferential trade status in the US market under the Geoeralised System of Preferences.

In the Gulf today Mr Brown will try to persuade Arab states to lift formally the Arab boycott of Israel, whicb bas already been significantly eroded, and to take responsibility for investment in the Palestinian economy.

But the big problem facing the development of a free trade zone and ultimately a common market remains Israel's security concerns about attacks by Islamic extremists. It is unlikely in tbe foreseeable future Israel will agree to tbe free flow of labour either from the Palestinian areas or from neigbbouring Egypt, Jordan, Syria or Lebanon which all have strong indigenous Islamic groups opposed to peace with Israel.

Instead Israel bas argued for tbe development of industrial parks on tbe borders which will bring together cheap Arab labour with Israeli technology, capital and management. Mr Oded Eran, deputy director general of the Israeli foreign ministry, said there would be considerable benefits to both Israel and Arab states from such co-operation especially if Europe and the US agreed to cumulative rules of origin.

The development of regional co-operation aod a regional trading bloc, be said, would attract foreign investors, strengthen their position when negotiating trade conditions with other regions and increase the ability of nations in the bloc to penetrate international markets.

Mr Eran rejected Arab fears of Israeli economic domination and said Israel was making uneven concessions in trade agreements with Arab neighbours. A customs union bas beeo already agreed with the Palestinians and Mr Eran said negotiations to give Jordan Most Favoured Nation status would be concluded this month.

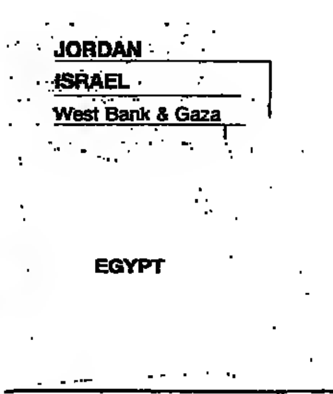
"Israel accepts it has a political responsibility above economics to encourage the peace with a willingness to sign trade agreements which are not based on mutual reciprocity," he said. "We need to create confidence that nothing will be done to reach economic hegemony and that co-operation can be predicated only on the maximum satisfaction of each other's interests."

In the short term the likely tangible benefits will be in trade, tourism, investment and increased ecooomic activity.

Peace process unlocks trade prospects

World trade 1993	Israel	Egypt	Jordan
Exports ($bn)	14.8	4.7	0.6
Imports ($bn)	22.6	14.8	4.4

Bilateral trade 1993	Israel with Egypt	Egypt with Jordan
Exports ($m)	9.0	39.0
Imports ($m)	16.0	10.0



Source: IMF

China toughens line on US talks

By Tony Walker in Beijing

China yesterday signalled a prickly negotiating stance in the vexed copyrigbt talks with the US due to resume in Beijing on Monday.

A spokesman for the trade ministry urged the US to drop its "irrational" demands in the interests of a calm resolntion of the dispute. The two sides have threatened retaliatory sanctions.

"China expects the United States to show flexibility and abandon its irrational demands in the coming Sino-US talks on protectioo of intellectual property rights," tha official Xinbua news agency quoted the official as saying.

The trade spokesman's comments indicate that negotiations will be difficult. Chinese officials are telling foreign visitors thet agreement cannot be taken for granted. But the pattern of past Sino-US trade disputes, including those involving copyrigbt, is for the argument to go to the brink before settlement is reached.

The two sides remain some distance apart on market access for US entertainment and information products, but are closer to agreement on enforcement measures against blatant piracy.

US negotiators have linked stronger action against counterfeiters with demands for improved access to the Chinese market for products most susceptible to piracy. This includes compact and laser discs, video games, films, books and magazines.

Negotiations in Beijing last montb stalled, leading Mr Mickey Kantor, the US trade representative, to announce punitive sanctions against $1.08bn of Chinese imports if no agreement is reached by a February 26 deadline.

China countered by threatening a mixture of sanctions and other penalties against US business, inclnding a freeze on negotiations involving carmakers seeking to establish joint ventures.

Beijing blames the US for the deadlock, accusing it of putting forward "many unreasonable demands". Ms Wu Yi, the trade minister, dismissed the US threat: "This is nothing terrible. There are countless markets abroad for China products."

The US says it will impose 100 per cent tariffs on 35 categories of Chinese imports, including plastic prodncts, sporting items and electrical goods. China's retaliation list includes cosmetics, alcoholic drinks and computerised switchboards.

WORLD TRADE NEWS DIGEST

GM may buy Korean steel

Pohang Iron and Steel (Posco) said yesterday that General Motors might buy steel sheets from the South Korean steel producer. Posco, the world's second largest steel company, will supply plate samples to GM for testing and negotiations for a long-term supply contract will begin in September if the tests prove satisfactory. GM, the world's largest car company, would become the fourth foreign carmaker in the past year to use Posco steel. *John Burton, Seoul*

■ The largest British trade mission to visit Cuba held talks in Havana this week on development financing and investment opportunities in sectors such as agriculture, sugar production, energy, manufacturing and tourism. Proposals include setting up a £150,000 ($234,000) British Partnership Scheme to fund consultancy work, and launching a Cuba initiative by the Caribbean Trade Advisory Gronp of the British Overseas Trade Board. "What we're seeing is a great improvement in the trading relationship with Cuba," Baroness Young said yesterday after meeting President Fidel Castro. *Pascal Fletcher*

■ Pirelli, the Italian cables and tyres group, has won its second important US contract for optical amplifiers, which increase the speed, capacity and reliability of transmissions along fibre-optic cables. BellSouth, which supplies telecommunications services in nine southern US states, has signed a three-year agreement. *Andrew Hill, Milan*

■ Boeing of the US has won a $79.9m defence contract for 95 dynamic component upgrade kits for H-46 helicopters for the US Navy. *Reuter, Washington*

■ General Electric unit GE Drive Systems has entered into a high-technology joint venture with the Shanghai General Rectifier Plant to manufacture, sell and service industrial drive systems in China. Initial investment will be $6.9m with a potential investment of up to $16m. *Reuter, Hong Kong*

■ The Royal Australian Navy has ordered 24 diesel engines worth L14bn ($8.6m) for its new coastal mine hunters from Fincantieri, the Italian shipbuilder owned by Iri, the state holding company. *Andrew Hill, Milan*

Minister seeks French deal on animal transit

By Deborah Hargreaves

Mr William Waldegrave, the agriculture minister, will meet Mr Jean Puech, his counterpart in France, on Tuesday to try to agree a compromise about journey times for live animals. France holds the presidency of the European Union council of ministers and has blocked agreement on journey limits in the past in conjunction with Spain, Italy and Greece.

Mr Waldegrave said yesterday at the annual meeting in London of the National Farmers' Union of England and Wales that EU ministers may need to set shorter journey limits for different species as stress levels varied between different types of animal. For example, scientific evidence pointed to pigs suffering higher stress levels when being transported than sheep.

But he assured farmers that "mob violence" would not be allowed to stop the legal export of live animals to France and the Netherlands. "There is a straightforward law and order issue," he said.

His remarks came as protesters made renewed efforts to halt shipments of live animals at two ports after weeks of demonstrations.

Mr Waldegrave angered animal welfare groups when he accused many of the protesters of having little interest in animals. "Do not for one moment believe that the violent element involved in all this would stop with improved welfare for calves or animals in transport," he said.

Although his remarks drew wide applause from his farm audience, they annoyed Compassion in World Farming, one of the leading protest groups. CIWF said it was "outrageous" to suggest that anything but a tiny minority of protesters could be classed as violent.

"Farmers have built up this fantasy that this protest is being run by a bunch of thugs. The longer producers go on with their callous indifference, the more damage they will do to their own reputations," said Mr Peter Stevenson, legal and political director of CIWF.

Sir David Naish, union president, said many farmers were feeling particularly vulnerable about threats from demonstrators to stage protests at individual farms. "I'm very worried this has been hijacked by thugs."

He said Mr Michael Howard, home secretary, had assured him that adequate resources would be made available for protecting farmers and live exports.

But several farmers at the meeting were concerned for their own safety. "You can't lock up a farm, and we're a long way from the nearest police station," said a livestock farmer from northern England.

Five inspectors from the Royal Society for the Prevention of Cruelty to Animals yesterday attended the scene of a truck accident in which a woman and a four-year-old boy were seriously injured and 130 of the 300 sheep on board were killed.

The truck jack-knifed on a main road east of London and a small car collided with it. Police said the woman and child had been taken to separate hospitals while most of the dead sheep had suffered from asphyxiation as the truck keeled over.

"In these three-tier vehicles there is only about 2½ ft of headroom on each level, so if the lorry turns on its side all the sheep on that side will be crushed and starved of oxygen, and that's what happened," said Mr Tim Wass, chief inspector of the society, which believed the truck was heading for France or the Netherlands. "The hard shoulder is littered with piles of dead sheep," said Mr Wass. "I have seen firemen in tears today."

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Commodities, Page 25

Trials in Germany suggest that proposed equipment may not be robust enough

Launch of motorway tolls may be delayed

By Charles Batchelor,
Transport Correspondent

Plans to install electronic tolls on Britain's motorways could be held up for between six and 12 months because of delays in starting the testing programme, Mr Brian Mawhinney, transport secretary, said yesterday. He also confirmed that the idea of charging motorists to enter congested town centres was still at a preliminary stage.

Many questions surrounding congestion charging remained to be answered, he explained. They included the level of charges; the method of charging (by time or distance); the consequences for businesses and property prices; and methods of enforcement.

The government had hoped to begin evaluating different systems for collecting motorway tolls on a test track and on motorways this year but many of the manufacturers involved are already engaged in a test programme on German motorways. The Department of Transport is working on a programme to introduce tolls on Britain's 1,900-mile motorway network as soon after 1998 as is practicable.

Thirty consortia, representing more than 70 companies, have registered an interest in contributing to the tolling programme.

"We had hoped to start this year but it may be they will have to be put back to next year," Mr Mawhinney said.

There are early signs from the German experiments that the equipment may not be able to match the tough demands Britain's busy motorways would impose.

"I hear, not officially, that some of the results arising from the technology in the German trials are not proving to be quite as robust as claim was laid for them initially," Mr Mawhinney said.

Most of the systems proposed to the Department of Transport would involve electronic monitors on overhead gantries identifying and charging vehicles passing underneath.

Hostility fails to derail privatisation

The transport secretary outlines his policy priorities to Andrew Gowers and Charles Batchelor

During his time as a junior health minister, Mr Brian Mawhinney made a reputation as something of a political pugilist. But since his promotion to the cabinet last July as transport secretary, he has been boxing a distinctly defensive game.

Beset by increasingly vocal criticism of government transport policy, Mr Mawhinney calls for a public debate on the subject that is both open-ended in subject and indefinite in duration. Asked about the unpopular rail privatisation programme he inherited, his message is "steady as she goes". Challenged to discuss an "integrated transport policy", high on the latest wish list of the Confederation of British Industry, he sounds bemused about the meaning of the phrase.

"Different people mean different things by an integrated transport policy," he said. "It is an escape clause from serious thinking. It is not realistic to sit here and think you can turn the country into a timetabled operation."

Mr Mawhinney makes no apology for caution. He is painfully aware that no area of government policy is more of a battleground for vested interests than transport. He speaks repeatedly and emphatically of the need for consensus.

That was the purpose of his call for a national transport debate – to get away from "the shouting and the slogans". That desire, too, lay behind Mr Mawhinney's modest attempts to redirect policy on roads, by cutting spending on and setting new priorities for the roads programme.

Mr Mawhinney's problem is that the policy at the top of his agenda – rail privatisation – is as far as ever from generating consensus. Given the heat surrounding privatisation in recent weeks, however, the minister is surprisingly sanguine about progress on this front. The government, he said, has the full support of its backbench MPs for privatisation, and the plan will be pushed ahead "with all deliberate speed". The delays and difficulties experienced thus far he dismisses as inevitable "teething problems".

Mr Mawhinney rejects calls for slowing down the process, given such problems and the imminence of an election. "In matters of public policy you need to generate and maintain momentum. I reject any suggestion I am acting with reckless abandon [on rail privatisation]. We are moving with consideration and deliberation. It is a very complex privatisation but we are broadly in line with the indicative target dates set by my predecessors."

These provide for the sale of three companies which will lease rolling stock by the end of this year, the flotation of Railtrack, the state infrastructure company, within the life of this parliament and the franchising of more than half of passenger train operations to the private sector by April 1996.

Early privatisation: the Severn Valley Railway in the English Midlands is one of the largest of a growing number of railway businesses worked by volunteers with equipment and infrastructure discarded by the state network in the 1960s. Such businesses were operating long before the present privatisation of the state network, are careful to replicate the atmosphere of bygone days. This 1950s-style scene was photographed in 1992

What about the danger, though, that privatisation will provide an endless diet of "bad news" – concerning services under threat – to dog the government. Mr Mawhinney is well aware of the potential for scare stories, but expressed confidence that the public would begin to see the benefits of privatisation of the rail system. There were already signs, he said, that the train operating companies were adopting a more customer-friendly approach. Mr Mawhinney draws comfort from the assertion that the opposition Labour party is not finding it easy to come up with an alternative to privatisation.

Such are his rail travails, however, that it is perhaps no surprise he is treading gingerly on other transport matters. He is trying, for example, to reassess the balance between demands for new roads and the needs of the environment.

He makes no effort to conceal his scepticism about the feasibility of grand schemes such as road pricing. And he constantly stresses that the task of shifting people from their love affair with the car is both tricky and long-term.

More data may be demanded on top pay

By Robert Peston
and William Lewis

The Greenbury committee on executive pay is likely to recommend that company annual reports should contain separate statements explaining the reasons for executive pay awards.

Meanwhile, committee members are braced for a furious battle over whether the chairmen of remuneration committees - groups of non-executive directors who decide executive pay - should face annual re-election by shareholders.

It also emerged yesterday that government ministers and officials are taking a close interest in the committees' deliberations in order to ensure that a mechanism is put in place to curb executive pay excesses.

The Treasury and the prime minister's staff considered a proposal from the Stock Exchange just before Christmas that a series of proposals to make the executive pay process more transparent should become enshrined in the exchange's yellow book, so that they would be compulsory for all listed companies.

The exchange was prepared to take the action immediately. But the government decided that it should be one of a series of proposals to be considered by the Greenbury committee.

The committee, chaired by Marks and Spencer chairman, Sir Richard Greenbury, met for the first time on Tuesday morning. Sir Richard asked members to maintain strict secrecy about proceedings.

However, members have disclosed that restoring the credibility of remuneration committees is their main priority. "There is a widespread perception that remuneration committees are under the thumb of executives and do not resist demands for big pay awards," said one.

The committee was set up in January at the behest of the Confederation of British Industry – but backed by the government – after a series of controversial pay awards, notably the 75 per cent pay rise given to Mr Cedric Brown, the British Gas chief executive.

It will not make recommendations for six months, but a number of its members back a proposal for annual reports to contain a separate statement by the remuneration committee chairman explaining the reasons for a pay award.

Other proposals for the annual re-election of all non-executives or of the remuneration committee chairman are backed passionately by some members, but opposed as passionately by others.

Such re-election procedures would be designed to make remuneration committees more clearly accountable to shareholders rather than executives.

Transport chief in London calls commuters 'dreadful human beings'

By James Blitz
at Westminster

Mr Steve Norris, a junior transport minister, was yesterday at the centre of a row in the House of Commons after he described commuters on public transport as "dreadful".

Mr Norris triggered an angry response from Labour MPs after he told a Commons committee that car travel was "extraordinarily convenient" and superior to journeying on public transport. In the 1980s Mr Norris headed a car dealership with a VW-Audi franchise. In evidence to an inquiry into vehicle exhaust pollution, he said: "You have your own company, your own temperature control, your own music and don't have to put up with dreadful human beings sitting alongside you."

Mr Michael Meacher, the Labour party's shadow transport secretary, immediately condemned the remarks, saying: "This is a gross insult to public transport users and shows the deeply held Tory belief in a two-tier society – whether in health, education or transport services."

Mr Norris, who has control of transport policy in London, told MPs it was a delusion to think delivering safe, efficient and reliable means of travel was the answer to the problems of traffic pollution.

He said oil companies would have to raise petrol prices by 2 pence (3 cents) a litre if forced to reduce carcinogenic benzene levels in fuel. But new exhaust emission controls would be in force by 2010, reducing UK pollution by two-thirds.

Industry regulator responds to complaints from company's rivals

Telecoms giant faces tighter rules

By Alan Cane

British Telecommunications, the former state utility, would be forced to publish its costs and explain in detail how it calculates the fees it charges competitors to connect to its network under proposed amendments to its licence.

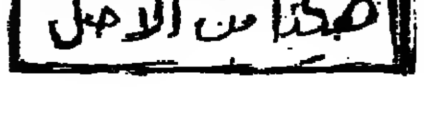
Mr Don Cruickshank, director-general of Oftel, the telecoms industry watchdog, said yesterday that the amendments represented the latest phase of a programme designed to ensure fair competition in the UK market by establishing a transparently just interconnection regime. BT's competitors – there are now more than 150 – have complained that without greater knowledge of BT's accounting methods, they cannot tell if its charges are fair. The competitors include American Telephone & Telegraph, Nynex and United Artists of the US and Telstra of Australia.

Mr John Butler, BT's director of regulatory affairs, said the principle of accounting separation had been accepted by BT but the company was concerned about the extension of powers being sought by the Oftel director-general. Conversely, Mercury Communications, a Cable & Wireless offshoot which is BT's main rival and the second-largest UK operator, said it was profoundly disturbed by the amendments, which it believed would curtail the director-general's powers to regulate the market.

Mr Cruickshank, speaking in London at an Financial Times/Oftel conference on interconnection, said his proposals were final; he was waiting urgently for BT's agreement so the proposals could be put into force on April 1.

He was sharply critical of BT's refusal to participate formally in the consultations and said he was thinking of changing the rules and procedures so future talks would be seen to be open and above board.

He had responded to BT's request for informal, confidential discussions: "The result, however, has been a lack of transparency, a lack of understanding by the rest of the industry of what BT's position is, and frankly, the suspicion of an Oftel/BT deal in a closed room." He said the rest of the industry had no chance to counter BT's arguments.



UK NEWS DIGEST

Mail workers' union is fined over strike

The CWU communication workers' union was yesterday fined £7,500 ($11,700) and ordered to pay costs estimated at £100,000 for contempt of court after an unofficial strike which disrupted mail services in London. The union was held by a judge in the High Court to be responsible for the walkout by 15,000 postal workers in Londoo last month, although national officials of the union did not support the action. The judge said he had decided to impose a "lenient" fine of £7,500 on the union, which he ordered to pay 90 per cent of the court costs.

The CWU union was formed two weeks ago from a merger of the National Communications Union, which represents British Telecommunications workers, with the UCW postal workers' union. The judge conceded that local union officials called the strike, which led to walkouts across the capital after a dispute about working practices. The weekend stoppage led to a backlog of 15m letters, which took several days to clear.

But the court was told that the union was held responsible and had hreached an earlier court order aimed at preventing unofficial walkouts. The judge said: "The breach of the court order was by local part-time officials of the union against the instruction of full-time officials.

Outside the court, Mr Alan Johnson, the union's joint general secretary, said he was disappointed that the dispute had been taken to court. "Royal Mail ... will oot solve industrial relations prohlems through the courts," he said. "Morale in Royal Mail is abysmal and in London [it] is worse than anywhere else."

Andrew Bolger, Employment Correspondent

Discord on economy

The Treasury and Bank of England (the UK central bank) appeared at odds yesterday over Britain's investment performance. The bank warned that industry would have to boost its capacity if growth was to be maintained without accelerating inflation. On the other hand, Mr Anthony Nelson, the economic secretary to the Treasury, defended Britain's investment record. He argued that with the exception of Japan, the country no longer lagged hehind its international competitors.

Reporting the results of a Treasury investigation into the financing of industry, Mr Nelson told the House of Commons committee on trade and industry that the level of capital spending did not "justify intervention to provide an artificial hoost to investment". But in its quarterly Inflation Report, the bank warned that industry was finding it increasingly difficult to meet increased demand by stepping up production. Without more investment, the bank argued, the economy could not sustain its current rate of expansion. Mr Mervyn King, the bank's economic director, said economic growth had to slow further to keep inflation down.

Robert Chote, Economics Correspondent

Pay pressure predicted

The government is likely to face increasing pressure this year to concede higger wage increases for many public service employees than can be funded by either job losses or cuts in services, says a report on public sector pay prospects published today. The report by Incomes Data Services, the independent forecasting organisation, warns: "Higher inflation and higher private sector pay settlements in 1995 could mean the government's public sector pay-hill freeze policy is bent out of shape, if not hroken, in a number of areas this year."

Robert Taylor, Employment Editor

Complaint from Maxwell son

Lawyers acting for Mr Kevin Maxwell yesterday attacked Sir Nicholas Lyell, the attorney-general, for failing to act against prejudicial press coverage in the run-up to his trial. Mr Maxwell is one of six former Maxwell group executives charged with fraud after the collapse of Robert Maxwell's business empire. The trial of Mr Kevin Maxwell, Mr Ian Maxwell – both sons of Robert Maxwell – and of two others is due to start in April.

A lawyer for Mr Kevin Maxwell told the Court of Appeal that "scandalously bad publicity" had been directed against him since the collapse of his father's publishing empire. This had damaged his chances of securing a fair trial. "Ha has been vilified without the protection of the attorney-general," the lawyer said. A hearing next week at which the defendants will ask for the trial to be abandoned because of press coverage would raise issues of great public importance, tha lawyer added. *John Mason, Law Courts Correspondent*

Jail for dumping waste

The head of a waste disposal company has been jailed for six months for operating an illegal rubbish dump. Mr Brian Morrell, who admitted breaking planning laws five times and ignoring three orders brought under pollution laws, is believed to be the first man in Britain to go to prison for dumping rubhish. A court in York, northern England, heard thet Mr Morrell, of Harrogate, North Yorkshire, operated a £1m-a-year waste disposal business based in countryside near Knaresborough.

A lawyer for Mr Morrell said: "He tried many times to get permission to operate a waste transfer station at this site and others, but was baulked by politicians each time. He felt he was not helped and is very bitter." Judge Jonathon Crabtree said: "We are a civilised small country of just over 50m people. It is not possible to dispose of waste without the strictest controls and I have no alternative hut to send you to prison."

Scottish exports strong: The index of Scottish manufactured exports compiled by the Scottish Council Development and Industry reached a record in the final quarter of last year, registering 166.95 against a base of 100 for the first quarter of 1993. The final quarter is usually the peak for the year, but the outcome for the fourth quarter is ahead of estimates from the panel of companies on which the index is based.

Explosives jobs to go: Imperial Chemical Industries announced that 200 jobs are to be lost as a loss-making detonator factory at Ardeer, Scotland, is phased out. Some jobs will be relocated to a factory in northern England. The company said demand for explosives and detonators had dropped sharply because of the sharp contraction of the coal-mining industry.

Post Office to sell insurance: The Post Office is to develop a range of general and life insurance products with Sun Alliance, the UK composite insurer, for sale over the counter at its 20,000 branches. At the end of last year the Post Office announced a deal with General Accident for the sale of travel insurance products. The government has described the Post Office as the largest chain of shops in Europe.

Cunard to fight claim: Cunard, owner of the QE2 cruise ship, is to defend a $62m claim filed in New York. The class action suit has been filed by aggrieved passengers who travelled in what they allege were "building site" conditions on a Christmas cruise.

Republic's deputy premier issues plea to Conservative government

Drop terror law, says Ireland

By John Kampfner at Westminster

The government said yesterday it would resist pressure to repeal the Prevention of Terrorism Act, but held open the possihility that it could be amended if the Irish peace process gathered pace.

The act allows for exclusioo orders for individuals to travel to the British mainland, deteotion without trial of terrorist suspects for seven days and proscription of certain groups, ootahly the Irish Republican Army.

Conservative and Ulster Unionist MPs reacted with irritation to a call by Mr Dick Spring, deputy prime minister of the Irish Repuhlic, for Britain to reconsider "legislation that has proved controversial" in the light of the ceasefire.

The discovery of a Semtex bomb in Northern Ireland yesterday was seized on by unionist leaders as evidence of the need to retain emergency powers. "There is no reason why the state should disarm, especially as the terrorist organisations have not disarmed," Mr David Trimble of the Ulster Unionists said.

The IRA denied they were responsible for planting the 450 gramme homb, which was made safe by the British army. It was the second such incident in the six months of the ceasefire. "Whoever planted last night's device is not involved in the peace process and does not want it to succeed," said Mr Mitchel McLaughlin, chairman of Sinn Fe'in, the political wing of the IRA.

The anti-terrorism legislation, which must be renewed hy the House of Commons hy March 22 if it is to continue, is certain to he high on the agenda at next Tuesday's session of the Anglo-Irish intergovernmental confereoce in Belfast.

This will be the first meeting between Sir Patrick Mayhew, Northern Ireland secretary in the British governmeot, and Mr Spring since the crisis last week over the leak of extracts of the draft framework document. The Irisb government has pressed London to make more demonstrative gestures to Sinn Fe'in. Mr Spring's latest comments came after the repuhlic's parliameot voted to lift the republic's State of Emergency provisions.

But British and Irish officials described the change there as "symbolic", noting thet emergency powers for the police and courts to deal with terrorist suspects remained in place under a separate law.

Ministers in Loodon are awaiting a report by Mr John Jermyn Rowe, a leading lawyer who is reviewing the workings of the act. Assessments have beeo made oo behalf of the government each year as the provisions of the act come under annual renewal.

Exclusion orders have become the most controversial aspect of the act. During the ceasefire, according to the Home Office, only one new order has beeo imposed, while several have been renewed. Fifty-eight are in force, although the numher is expected to decrease steadily.

Last October the government lifted the ban preventing Mr Gerry Adams, presideot of Sinn Fe'in, from travelling to the British mainland.

Tourist inquiries in Northern Ireland have increased hy more than 300 per cent since the ceasefire hy the Irish Republican Army last August, Stewart Oalhy writes. The number of arrivals has risen by over 90 per cent since the ceasefire according to the latest estimates from the Northern Ireland Tourist Board. News of the figures comes as the British and Irish governments' joint initiative for cross-horder co-operatioo oo tourism gets into full swing with an overseas marketing drive promoting the whole island of Ireland as a destination.

In the past the republic has stressed its separateness from Northern Ireland in tourist literature. There have been localised programmes between Bord Fáilte, the Irish Republic's tourist board, and the Northern Ireland Tourist Board in areas such as joint ticketing on long-haul flights and a centralised hotel reservation scheme.

Bot this is the first time the Irish and British governments have thrown their weight behind a project to attract visitors to all parts of the island.

Some £6.3m is to be spent in four main markets from this month. The Overseas Tourism Marketiog Initiative, which inclndes officials from both tourist boards as well as hoteliers and other business figures, will spend £2.3m in the US, £2m in the UK, £800,000 in France and £1m in Germany.

Tourism is the third-largest indostry in the repnhlic, employing 90,000 people.

Chancellor to make strong defence of EU

By Kevin Brown and Ivor Owen

Mr Kenneth Clarke, the chancellor of the exchequer, will today risk reigniting cahinet hickering over Europe hy balancing a hroad exposition of UK conditions for joining a single currency with a rohust defence of the European Union.

Mr Clarke will make a strong case in a speech to members of the pro-EU European Movement for a positive UK approach to oext year's EU intergovernmental conference to review the Maastricht treaty.

Mr Clarke, one of the cabioet's leading pro-Europeans, will stress the advantages of EU membership to the UK, and warn of the dangers to British trade and economic interests of the negative approach advocated hy the party's Eurosceptic wing.

He will also offer full support for Mr John Major's assertion, in a speech to the Conservative Way Forward group last Friday, that the UK will remain aloof from a single currency if attempts to estahlish it are made in about 1997. However, Mr Clarke will stop short of laying down a detailed framework of UK conditions for participating in monetary union, and will make clear that the government is not seeking to impose fresh constraints on other EU states.

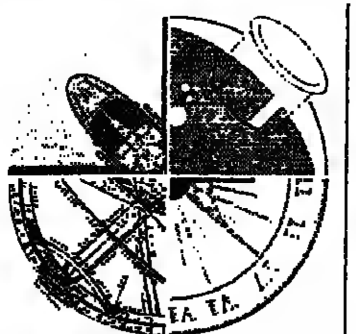
He will say the government expects no loosening of the four main Maastricht criteria for monetary uoion, which require stable currencies and convergence of inflation rates, government budgets aod long-term interest rates.

In addition, Mr Clarke will say that the UK expects EU governmeots to take serious note of four other conditions mentioned in a sub-paragraph of the treaty article. These cover the development of the European Currency Unit, integration of markets, convergence of current accouot balances, and an examination of price indices.

Mr Clarke is expected to say that these conditions justify close attention to differences in labour morket conditions, which would also need to be hrought into line before a decision to proceed with a single currency was taken.

TECHNOLOGY

Worth Watching · Vanessa Houlder



Scanner to protect frail book bindings

Librarians are often reluctant to copy old or frail books because of the risk that their bindings will be damaged when they are fully opened.

A Sussex-based inventor has applied for a patent for a scanning device which avoids damaging tightly-bound books because it works when the book is open by as little as 45 degrees.

The system can penetrate a book'e gutter using a wedged-shaped scanner with a prismatic device at its end. It can also record watermarks when the book is opened 90 degrees and a light is inserted on the other side of the page to the scanner.

APL: UK, tel (0)171 628 2922; fax (0)171 920 0951.

Laser control for thermoplastics

Fibre-reinforced thermoplastics are proving valuable in industries such as aerospace that rely on light, flexible and robust materials. However, it is difficult to automate the manufacture of these materials using conventional production methods.

Scientists at the Fraunhofer-Institut für Produktionstechnologie IPT in Aachen believe they have cracked the problem. The institute uses a high-performance laser in a precision-cootrolled system that automatically adapts to changes in the manufacturing process. It says that costs can be as mnch as 40 per cent lower than other production techniques.

Fraunhofer-Institute für Produktionstechnologie IPT: Germany, tel 241 8904112; fax 241 8904198.

Phone numbers out, personal trackers in

Tracking down a peripatetic executive often involves trawling through a long list of phone numbers for home, office, customers, mobile phone, pager, and so on. Brite Voice Systems, based in Kansas, US, and Manchester, UK, has devised a system to replace all these phone numbers with one personal number. Calls to that number are routed to the user's location.

The user can cootrol the routing by dialling the service and informing it of his or her whereabouts. If the user is unavailable, the call is directed to a voice mail system. BriteFIND Personal Numbering system is being marketed to network providers worldwide.

Brite Voice Systems: UK, tel (0)161 975 4000; fax (0)161 975 4001.

Enso weather cycle reaches the poles

The El Nino-Southern Oscillation (Enso) is a cycle of winds and ocean circulation in the Pacific that causes droughts, storms and torrential rain over much of the planet. Although mainly felt in the tropics, its effects reach the poles, according to today's Nature magazine.

Detecting the effect of Enso at high latitudes has always been difficult because of seasonal flnctuations in sea-ice cover. However, researchers at the Nasa Goddard Space Flight Centre in Greenbelt, Maryland have discovered that Enso does have a statistically significant impact at the poles. The findings follow data from the Nasa Nimbus satellite, using a technique called multiple-window harmonic analysis.

Nasa Goddard Space Flight Center: US, tel 301 286 2000; fax 301 286 0240.

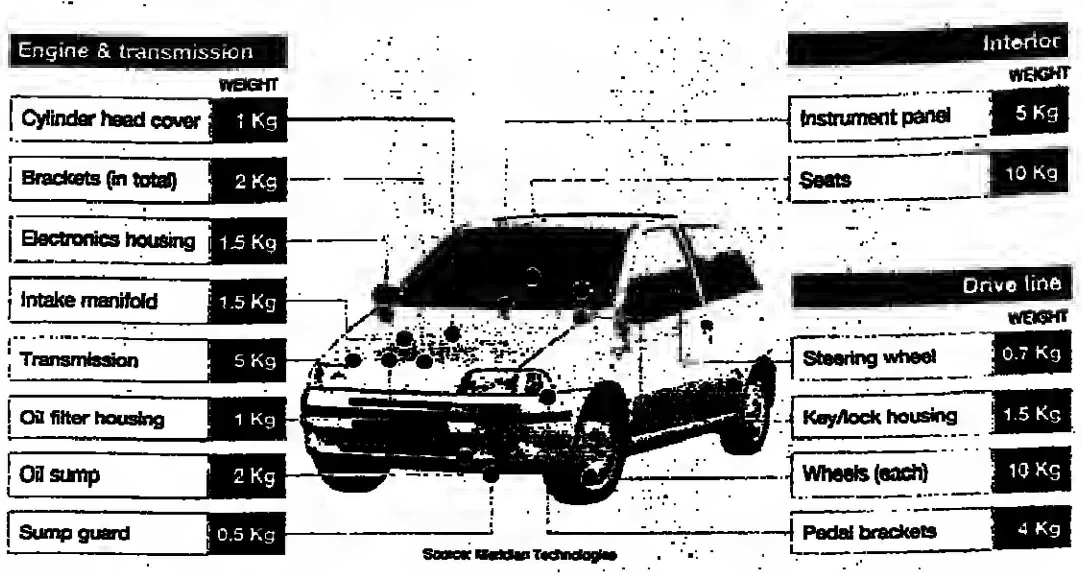
Customers on-line to Nationwide wares

Nationwide, the UK's second largest building society, has launched a customer information machine, which it describes as the most advanced branch-based, self-service multimedia technology yet developed.

Its Interact system, which is being piloted at its Eastleigh branch in Hampshire, uses touch screens, sound, text, photography, video and graphics to help customers find out about its products and services.

Nationwide: UK, tel (0)793 513513; fax (0)793 455045.

Magnesium applications: in use or development in a typical small/medium-sized car



Source: Meridian Technologies

Magnesium's new life

Europe's carmakers have long spurned the reactive metal, but interest is now growing, says **Geoff Nairn**

Bristling with castles, northern Italy's Aosta Valley has seen many conquerors in the past. The latest contender is Canadian car components company Meridian Technologies which has chosen the Alp-fringed town of Verrès for its first European factory and its assault on Europe's small but promising market in diecast magnesium components.

Increasingly popular in North America, magnesium has been largely spurned by European carmakers, suspicious of its reputation as a pricey metal that corrodes easily and is difficult, even dangerous, to use. Its one great advantage is that it is just two-thirds the weight of aluminium.

While the pure metal is highly reactive and thus impractical, alloyed with a little aluminium and zinc it becomes an excelleot diecasting material with a high strength/weight ratio. The car industry takes about 75 per cent of all diecast magoesium alloy, the rest going for other lightweight applications, such as mobile computers, cellular phones and aircraft construction.

Reducing weight is particularly important to the US car industry. Jan Bolstad, president of magnesium consultancy firm BM Consulting, of Kronberg, Germany, says: "Fuel-saving legislation in the US is forcing carmakers to produce lighter cars and this has led to a tremendous growth for magnesium."

Transmission cases, steering columns, dashboard mountings and seat frames are increasingly made of magnesium and the average North American car contains from 1.5 to 3kg, which should reach 10kg by 2000, according to Meridian Technologies.

Alloy shipments to North American diecasters, of which Meridian Technologies is the biggest, have been growing at an average annual rate of 16.5 per cent to 30,000 tonnes in 1994, according to the International Magnesium Association. To meet demand, Meridian opened a secood North American plant in 1994 and plans a third.

Shipments in western Europe, by contrast, have averaged just 8,000 tonnes a year since 1988, though the IMA estimate for 1994 is a more promising 10,000 tonnes.

It was not always so: until discontinued in the late 1970s, German carmaker Volkswagen used more than 60,000 tonnes of magnesium a year for its best-selling Beetle, each of which contained around 20kg.

Meridian Technologies hopes to rekindle interest in using the metal on a similarly large scale. European car makers are more sceptical. The metal's keenest fans are makers of larger vehicles such as minivans and pickups, where the weight saving potential is greatest. A minivan weighs 1.7 tonnes; a typical European car 1 tonne.

In addition, there are other ways to reduce weight: using aluminium, sandwich steel body sheet, plastics, composite materials, or redesigning production processes. These technologies are well understood; magnesium, in Europe at least, is not.

"We don't know enough about it in Europe to use it in great quantity," says Steve Thompson, principal engineer for UK car maker Rover Group.

Other European makers, including Mercedes, BMW, Audi and Opel, make limited use of magnesium. It is excellent for air-bag mounts in steering wheels, for example, because of its good energy and heat absorption, and each luxury Mercedes SL class car has two magnesium seat frames weighing 8.5kg, against 20kg in steel. In the European market as a whole, however, the average amount of magnesium per car is less than 1kg.

Franco Ciselli, metallurgist for Italian carmaker Fiat Auto, believes the figure could rise to 15 kg in the next decade, but has lingering doubts. "We need to see improvements in [magnesium's] corrosion resistance and mechanical characteristics," he says. One significant drawback is "creep", whereby the metal subjected to heat or pressure elongates with time.

Despite the market's scepticism, Meridian Technologies plans to produce up to 10,000 tonnes of magnesium parts at the Verrès plant.

Elvio Del Sorbo, president of Meridian's European magnesium operations, is confident the Verrès facility, which opens in September this year, will be fully utilised; indeed, he plans a second plant of similar capacity for 1997.

First-year production at Verrès will be limited and will go mostly to the Fiat Group whose metals arm Teksid last year acquired a 17 per cent stake in the Canadian company. Meridian is currently casting prototypes of a seat frame for the Y11, a city car due later this year.

While the raw material cost of magnesium is much higher – about 10 times the cost of steel – less is needed because it weighs less, little is wasted in machining as the part can often be used as cast, manufacturing time is reduced and thus, Meridian argues, the overall structure is cheaper to make. Diecast aluminium, while cheaper than magnesium, requires a higher casting pressure which limits the complexity of shapes that can be cast; it also takes longer to cast and reacts with the die.

Del Sorbo claims to have convinced Fiat and unnamed German and French carmakers of the advantages of using magnesium on a larger scale. He says that Meridian is working on 10 projects for seat frames, instrument panels, steering wheels and gearbox cases.

While the economics of magnesium are debatable, the technical challenges seem largely resolved. New purer magnesium alloys offer better corrosion resistance than aluminium and steel, and using water-based emulsions, the alloy can be machined without shavings bursting into flames. "Creep" is minimised by not using magnesium for parts subject to heat or pressure.

The biggest question mark over the metal's future as a structural material concerns supply and demand.

"Diecasters need an assured source of supply so as to not be caught out by high prices. The [magnesium] industry cannot guarantee this," says Ken Gilbert, deputy managing director at London-based commodity analysts CRU International.

PCs for patrol training

The UK's Royal Automobile Club is training its road patrol staff on electronic simulotors based on military models.

A simnlated car engine is linked to a computer that enables instructors to monitor every step taken by trainees as they diognose the cause of vehicle breakdown.

The simulator, which reproduces each engine part mounted on a console, responds to vehicle faults in the same way as a real engine. For example, if it is programmed to mimic a flat battery, the engine will fail to start when the ignition is turned on and the battery will show a low voltage if tested.

A computer-controlled sound system transmits digital recordings such as an engine turning over – running normally or misfiring. The patrol trainee can also feel an injector pulsing or the temperature drop in the low pressure side of a fuel regulator, indicating the fuel is flowing.

"The primary objective is to train RAC patrols to identify and practise the shortest diagnostic route between the symptoms they enconnter and the malfnnction causing it, says John McKenzie, the RAC's training manager. "Fault diagnosis is a complex process of interpreting aural, visual and tactile cues which lead to the solntion of the problem. The simulator provides all three."

Engine simulators are linked to a PC terminal which displays the precise steps taken by each trainee.

Investment in the system so far is about £750,000, which the RAC bopes to recoup within four years. "The system is more mobile than training staff on old-fashioned engine rigs. It is much more reliable, and it enables one-to-one instruction with np to 10 trainees connected to a network," says McKenzie.

The system, which is also used in recruitment testing, was developed by the RAC and ECC Simulation after the RAC saw the company's maintenance simulators for the British Army's Challenger II tank.

Sheila Jones

صكنا من الاصل

ARTS

Cinema/**Nigel Andrews**

Magic kingdom runs amok

When a country spends years being told it is a byword for blandnesa, something finally snaps. Take New Zealand. First we get Jane Campion, NZ-born, breaking out into prize-winning primitivism with *The Piano*. Now we have Peter Jackson's mad, bold, festival-acclaimed *Heavenly Creatures*.

Invoking a real-life murder case – two schoolgirls who killed one girl'a mother in 1950s Christchurch – Jackson re-invents their lives through a giddy kaleidoscope of styles. We know this director's spoof splatter films already. *Bad Taste* and *Braindead* turned New Zealand into a land of demure, deranged suburbanism: where zombies could walk, Auntie Flo could run amok, and chainsaws could shaer up through the afternoon tea table.

Heavenly Creatures is also about panic in New Zealand's answer to Metroland. But here crises grow from more human roots. Plain and dumpy Pauline (Melanie Lynskey) befriends Juliet (Kate Winslet), blonde, beautiful, English and tubercular. They start to share a fantasy life. Recruiting heroes and villains from books and movies, they plunge headlong into an intimacy of the mind. Altars are erected to movie stars (Mario Lanza, James Mason, Orson Welles); garden sheds become platonic love-nests; Pauline fills her diary with a romantic novel set in a never-never Middle Ages, in which she and Juliet are the pseudonymous lovers.

Cue parental alarm bells. Are not these girls becoming *too* intimate? Should they be separated – using Juliet's health as an excuse – before it is too late? But it is already too late. Finally one parent will receive, on the others' behalf, the death blow aimed at grown-up totems and taboos.

The film knows wben to be sober, when to be sinister, and when to be stark mad. Jackson tunes in and out of the girls' magic kingdom – which they dub the "Fourth World" – as freely as be travels in and out of their bomes. The kingdom has giant castles and bustling Claymation knights and nasties, their faces flickering with resemblances to Mario or Orson. The bome life consists of blinkered Mums, spectacled Dads, and threats of curfews and correction.

Immovable objects encourage irresistible force. Delirium becomes the heroines' best defence. In the film's most sweetly lunatic moment we watch Pauline and Juliet romp over a high green hill – *The Sound Of Music* gone down-under – before the same landscape dissolves, by trick photography, into a lush garden rioting with unicorns and giant butterflies. Here and throughout, the musical *élan* and mock-lyricism match the visual. Composer Peter Dasent must have been strapped down and force-fed Delius until it started coming out of his ballpoint.

In modern cinema, the insanity lurking behind suburbia is becoming a sub-genre, bordering on a cliché. (See David Lynch and disciples.) But Jackson is an original: he scarcely bothers to lurk at all. Everyone is crackers, or imminently so, from the atart. And the start itself is blissfully parodic: an orotund voice-over showing us around Christchurch as if we are embarking on a travelogue.

Soon wa know better. Now we are watching Pauline's Dad mime to opera records using a raw mackerel as a mike.

HEAVENLY CREATURES
Peter Jackson

STAR TREK GENERATIONS
David Carson

SOLITAIRE FOR TWO
Gary Sinyor

DALLAS DOLL
Ann Turner

Now we watch Mum twitter distractedly amid the floral furniture. And most of the other adults seem several brain-cells short of a full cerebellum.

Pauline and Juliet's sanity lies in knowing that there are limits to sanity. What the two girls should probably have done, before stepping into blood, is become film critics. There, madness is an everyday experience and the profession could use their discriminating, caustic imaginations. I particularly liked their movie altar containing three photographic shrines to, respectively, "He" (Lanza), "Him" (Orson Welles) and "This" (Mel Ferrer). Anyone who can recognise the "This-ness" of Mel Ferrer is born to review movies.

★

I first saw *Star Trek Generations* in a Los Angeles cinema with a large screen and state-of-the-art sound. Imagine bow impressed I was when my seat rumbled twice to early collision sequences. The next morning, picking up a newspaper, I discovered that I had sat through two earthquakes.

This movie needs such outside help. Thick-wigged William Shatner and gleaming-pated Patrick Stewart – baldly going where the follicularly challenged have never gone before – take up arms against common enemies. One is a "space ribbon", a sort of giant bendy-shaped tornado. The other is Malcolm McDowell, a psychopath with a grudge. He wants to destroy Kirk, or Picard, or the universe, or possibly all three.

After a promising start the clichés begin to roll by. The screenplay lacks freshness, colour and good jokes. The dialogue veers towards the insanely runic ("I wish to be deactivated until Dr Crusher has removed the memory chip".) And an increasingly restless audience has time to ask: Where are Forrest De Kelly and Leonard Nimoy, a.k.a. Bones and bat-eared, all-wise Spock?

Too wise to be in this. The two actors beamed themselves out of the contract-signing session. Understandable in view of the script: but we miss their spoof portentousness amid too much of the real thing.

★

Gary Sinyor'a *Solitaire For Two* and Ann Turner's *Dallas Doll* have contrasting plots but kindred provenances. One is about extra-sensory romance, the other about Sandra Bernhard in Australia; both are muscle-flexing follow-up movies, prone to cramp, by writer-directors who made impressive debnts.

Gary Sinyor follows his award-winning comedy *Leon The Pig Farmer* with this tale of love between a telepathic young woman (Amanda Pays) and a lecturer on body language (Mark Frankel). He thinks to her, "You are very beautiful." She kicks him in the crotch, her habit on reading men'a minds. The consequence is: 106 minutes of "meeting cute" comedy in which almost every mirthless twist and masochistic trope is predictable.

Ann Turner's *Dallas Doll* is a disappointment from the maker of *Celia*. That was a sharp, wistful satire about children who grow up too fast. This is a contrived fable about adults who never grow up at all. American comedienne Sandra Bernhard – of the buzz-saw voice and *jolie laide* features – plays the jet-setting golf professional who changes the lives of a suburban Sydney family.

She seduces each of them in turn, forcing them to see themselves anew, from mother to father to son. (Was her in-flight movie Pasolini's *Theorem*?). Finally, after performing other strange and disconnected marvels, she disappears under a herd of cows in a crater formed by a crash-landing UFO. Confused? Don't be. Stay away. Or visit the more illuminatingly loopy side of Antipodean suburbia in *Heavenly Creatures*.

Melanie Lynskey (top) and Kate Winslet in 'Heavenly Creatures'

Ballet

Pineapple Poll

It was one of those evenings when fans, friends and fonnding figures crowd into Sadler's Wells for a performance, and the theatre has the air of a family party, aa Birmingham Royal Ballet began a brief London season on Tuesday night.

Tbe entire history of the company – and of this incarnation of the Wells itself – seemed there, from Dame Ninette de Valois in her 97th year in the stalls, to a work by the Royal Ballet's youngest choreographer, Matthew Hart, as BRB trod the boards which gave it birth in 1946 as the theatre'a own ballet. (I recall sitting in the back row of the stalls watching the troupe's earliest steps.) Well, *plus ca change, plus c'est lo même* cramped stage, and *plus c'est la même* right place to be when *Pineapple Poll* is on view and the audience rejoices.

Poll was the justification for Tuesday night's opening. It is a perfect ballet. John Cranko's inventiveness in making dances was quick-fired, resourceful – take an old lady, an nmbrella and a Union Jack, and yon have Britannia to the life – and best when jokey. Charles Mackerras' patchwork of Snllivan melodies is superbly and wittily done – this revival is a tribute to him for his 70th birthday – and Cranko's ideas bounce and purl along on it. Even after fonr decades, the cbaracters are still delightful, and Joseph Cipolla is a splendid Belaye, irresistible, every gag acutely timed, with Sandra Madgwick exactly tbe sort of bappy virtuoso for whom the role of Poll was made. With a good Jasper (Timothy Cross), Blanche (Simone Clarke) and a splendid old chatterbox aunt from Chenca Williams, the piece remains the joy it has always been. John Cranko did many fine things: I think *Poll* bis masterpiece, and a ustional treasure.

The rest of the programme, excellently and cbaracteristically balanced in offering a foreign classic and a new bome-grown piece, was otherwise snbfusc. Balancbine's *Prodigol Son* needs far more ritualistic and taut performance than it received from Michael O'Hare and Monica Zamora as the Prodigal and the Siren. It is a piece of Art Deco, and these interpreters blurred both the line and the mass of the choreography by making it too naturalistic. John Auld, as the Father, showed exactly the linear dignity tbe cboreography must have.

Mattbew Hart's recent *Street*, first seen in Birmingham last year, is hostage to a turgid "symphonic" blues score by William Russo which bangs and grinds interminably while waiting, in vain, for something other than musical clichés to come along. Hart cannot overcome its vacnities. A gronp of BRB's nice young men and women pretend to be southern and sexy, and look northero and sanitised – like a Finnish pnblic baths. Hart trots out a collection of steps that might just do to galvanise a revival of *Panama Hottie*. It lasts forever.

Clement Crisp

BRB is at Sadler's Wells Theatre until Saturday, with *La Fille mal gardée* in repertory.

Theatre

Live Bed Show

Do you love Paul Merton? He does everything he can to avoid being charming – and that has the paradoxical effect of rendering him one of the most delectable personalities before the British public. He twinkles no eyes, he flashes no smiles, he sounds and looks habitually disenchanted, and he cannot pronounce his Rs. But he is so relaxedly dour, so disarmingly shrewd, and his timing is so good that there are few comedians more charming.

The combination of this charm and that bumour makes him sexier than anyone with those looks ought to be. How come someone with that capacity for cynicism leaves an impression of such integrity? How come a man so worldly and deadpan seems often so boyish and sweet? For those of us who need a longer fix of Paul Merton than TV or radio customarily provide, the *Live Bed Show* – 85 minntes in which he seldom leaves the stage – will do nicely. As 37-year-old Cash, be spends the entire time thinking and talking abont sex and related issues.

Caroline Quentin, his offstage wife, plays his 32-year-old onstage girlfriend Maria, whom he pursues earnestly. Her charm is of a more conventional, bright-eyed, Victoria Wood kind. It is an excellent partnership; the way they play to each other is truthful, touching, exemplary. Botb of them avoid any sophisticated elegance of manner. Round-cheeked, wearing pyjamaa throughout, they sometimes seem about 10 years old. Artless; but not innocent. Much of the *Live Bed Show* is bawdy stuff, full of four-letter words and sex talk, all of which Merton and Quentin deliver without coyness. Yon need a dirty sense of humour to enjoy the show, and yet these two are so natural that they transcend dirt.

The anthor of the *Live Bed Show* is Arthur Smith, who not only took a bow on opening night but made a little curtain speech too. (The gist was, if you liked the show, it was due to him, and, if you didn't, it was due to the two performers. Ho not very ho.) His programme biography says that the show "has been extensively rewritten since its earlier existences at Edinburgh and the Donmar Warehouse". Did Merton help to re-write it? Some of the lines fit his customary persona so well that you wonder.

The *Live Bed Show* is really just a connected series of sketcbes, and Merton and Quentin are not really required to act. Yet I think it would be a triter evening if it were left to conventional actors, and Merton would make a slighter impression if he were asked to play a real role. Underneath its dirty veneer, the *Live Bed Show* is like a funnier and cnter version of John Cleese's terrible radio series *Families, and how to survive them*. It wants to make serious right-on points about Relationships; and its seriousness sometimes reveals a dismal sentimentality.

Which is why Merton and Quentin are so welcome in it. As directed by Andrey Cooke, they never play up the cuteness of Smith's material, and they shoot any sentimentality in the foot. The *Live Bed Show* gives you a less original take on Paul Merton than any TV or radio panel show to which he contributes. But you have only to see the anti-cute way he delivers a cute line like "I invited her to the National Film Theatre, where they were giving a Basil Brush retrospective – *The Wilderness Years*" to know why he is a national treasure.

Alastair Macaulay

At the Garrick Theatre, WC2.

Theatre/**David Murray**

Romeo and Juliet

At the Lyric Tbeatre Hammersmith, Neil Bartlett's version of *Romeo and Juliet* is not all bad, and it may have pulled together better by next month when it moves to the West Yorkshire Playbouse (its co-producers). At the moment it is a thing of patches, a bag of unrelated bits.

Though the stage is bare and undecorated, the action glistens in Hugh Vanstone's bold lighting. We get the standard Shakespeare text, much cut. About this and other things, Bartlett's own prologue in the programme must be a tease. His trimming, he writes, is partly inspired by the short "Bad Quarto" text (jotted down by contemporary actors), because it makes the "promise of a swiftly moving two-bour entertainment a reasonable one"; but Bartlett'a takes three.

Because he is using women in Elizabethan "male roles" – *i.e.* Juliet, her mother and the Nurse – we are to "see their part of the story in a new light". He revels in his discovery that the Penguin edition mis-diagnoses the Nurse as elderly, for she had a baby daughter just 13 years earlier; but his chosen Nurse (Roberta Taylor), far from being a lusty 29-year-old, is a cool, 40-plus pragmatist who cannot unbend for the bawdry or the low comedy.

Bartlett intended a staging "stripped . . . of memories of *West Side Story*" – cbunks of whicb are duly blasted at us in his preludial sound-track – and "of our assumptions that the play is about under-age sex". *Whose* assumptions? It was also to be "passionately physical": well, most of tbe boys – stiffly upright in identical dark suits embrace each other more often than in some productions, tbough less (and witb mnch less easy Italian camaraderie) than in the memorable Zeffirelli staging, which we are also urged to forget.

And before be dies on Tybalt's flick-knife, Mercutio (Sebastian Harcombe, rather elegant, though the verbal flights of fancy do not trip off his tongue) deliberately kisses him. That counted as a rank insult in *A View from the Bridge*, for special reasons; but would it have done in old Verona? in Elizabethan England? Is it an even remotely imaginable challenge now? What is it *for*?

As for the titular lovers, there is no erotic spark hetween them. Stuart Bunce plays Romeo as an amiable dish-rag, or wet-eyed spaniel puppy, maintaining a fixed, bopeful smile even while Mercutio dies; some histrionics later are neither here nor there. Emily Woof's Juliet is kept mostly in or on her bed, whicb tberefore suggests nothing specifically sexy, though it remains obtrusively on stage almost throughout. She has to shift the thing about for scene after scene, and it makes a distracting nuisance mid-stage whilst Mercutio and Tybalt (Ashley Artus, repellent but effective) dance toward their deaths.

Like her Romeo, Miss Woof is a novice verse-speaker: honest and keen, but barely halfway there. In "sincere" passages they both adopt a busky, under-projected tone that leaves their speeches bloodless, and stress words that wreck the scansioo. Her outbursts later, on limited vocal resources, are mere teenage tantrums without any tug of pathos.

The senior Capulets come from different planets, sbe (Souad Faress) archly sophisticated and be (Burt Caesar) emitting his lines in military barks with a Caribbean accent, variously kindly, menacing or desperate by quite unaccountable turns. Silas Carson's languidly saturnine Paris deserves an altogether different show. This one is pretty rum: not boring, but frustratingly half-baked.

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

GALLERIES
Rijksmuseum Tel: (020) 673 2121
● Marbled, Chintz and Brocade Paper: an exhibition of decorated paper manufactured in and imported to the Low Countries in the 17th century; to Feb 12
Stedelijk Tel: (020) 5732 911
● Alfa Romeo: The Essence of Beauty: exhibition marking the development and design of Alfa Romeo automobiles from the early part of this century to the most recent models; to Apr 2
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Mazeppa: by Tchaikovsky. A Netherlands Opera production conducted by Harmut Haenchen and directed by Richard Jones; 7.30 pm; Feb 9, 11, 12 (1.30 pm), 14

■ BARCELONA

GALLERIES
Museu Picasso Tel: (93) 319 6902
● Picasso's Early Works: 220 drawings and paintings from the period 1890-1912; to Feb 12 (Not Mon)

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Ein Maskenball: by Verdi. Conducted by Rafael Frühbeck da Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich; 7.30 pm; Feb 10, 16
● The Marriage of Figaro: by Mozart. Conducted by Stefan Soltesz, produced by Götz Friedrich; 7 pm; Feb 9

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Grand Classical Evening: David Coleman conducts the National Symphony Orchestra with tenor Bruce Rankin and baritone Steven Page to play a wida and varied programme of classical music; 7.30 pm; Feb 11
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra to play Tippett's, 'Triple Concerto' and Elgar; 7.30 pm; Feb 12
Festival Hall Tel: (0171) 928 8800
● Igor Oistrakh Plays Mendelssohn and Tchaikovsky: Simon Phipps conducts the English Chamber Orchestra and violinist Igor Oistrakh; 7.30 pm; Feb 11
Royal Academy Tel: (0171) 439 7438
● Philharmonia Orchestra: Kurt Sanderling conducts Beethoven and Shostakovich; 7.30 pm; Feb 12
GALLERIES
Hayward Tel: (0171) 261 0127
● Yves Klein: over 110 works conveying the full range of his output from paintings and sculpture to installations, events, architectural schemes to stage and film scenarios; from Feb 9 to Apr 23
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● King Priam: a new production of Tippett's opera that opens the London festival - Tippett: Visions of Paradise, to celebrate the composer's 90th birthday; 7.30 pm; Feb 9, 11
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30 pm; Feb 16
● Rigoletto: Jonathan Miller's updated version of Verdi'a opera where the duke is a mafia boss; 7.30 pm; Feb 10, 13, 15
Royal Opera House Tel: (0171) 340 4000
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 6.30 pm; Feb 11, 15
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30 pm; Feb 9, 14
● La Bohéme: by Puccini. Conducted by Simone Young/ Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/ Amanda Thane as Mimi and Maria McLaughlin/ Judith Howarth as Musetta;7.30 pm; Feb 10, 16
THEATRE
National, Lyttelton Tel: (0171) 928 2252
● The Children's Hour: by Lillian Hellman, directed by Howard Davies; 7.30 pm; Feb 9, 10, 11 (2.15 pm)
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Garaldine Fitzgerald as Mistress Ford; 7.15 pm; Feb 9 (2 pm), 16

■ MADRID

GALLERIES
Fundación Juan March Tel: (91) 435 48 40/435 42 40
● Klimt-Kokoschka-Schiele: exhibition of 35 works by the three Viennese artists; to May 21

■ MUNICH

GALLERIES
Haus der Kunst
● Deutsche Romantic: previously on show in London, this exhibition has created much discussion in Germany. It examines the work of early German Romantic painters and their cultural and political impact on successive generations ol German artists; to May 1

■ NEW YORK

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli, conductor Christian Badea; 8 pm; Feb 10, 16
● Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton; 8 pm; Feb 9, 11, 14
● La Traviata: by Verdi. Produced *by Franco Zeffirelli, conducted* by John Fiore; 8 pm; Feb 13
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8 pm; Feb 11 (1.30 pm), 15
THEATRE
Joseph Papp Public Theatre Tel: (212) 598 7150
● The Merchant ol Venice: by Shakespeare. Directed by Barry Edelstein, and with Ron Leibman playing Shylock; 8 pm; (Not Mon)
Perry Street Tel: (212) 307 4100
● Dylan Thomas: Return Journey and The Truman Capote Talk Show. Two one man shows written by and starring Bob Kingdom. Direction by Anthony Hopkins and Kevin Knight; to Feb 11

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Alban Berg Quartet: plays Haydn, Webern and Beethoven; 8.30 pm; Feb 14
● Orchestra of the Champs Elysées: with soprano Solle Isokoski, alto Birgit Remmert and tenor James Taylor plays Beethoven under the direction of Phillipe Herreweghe; 8.30 pm; Feb 15
GALLERIES
Musée d'Orsay Tel: (1) 45 49 11 11
● James McNeill Whistler: exhibition of works; to Apr 30
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● King Arthur: music by Purcell. A William Christie and Graham-Vick production; from Feb 9 to Feb 19
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● La Damnation da Faust: by Berlioz. *Conducted by Myung-Whun* Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30 pm; Feb 9, 12 (3 pm), 15
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of tha Paris National Opera; 7.30 pm; Fah 11, 14

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with violinist Cho-Liang Lin. Paavo Barglund conducts Kokkonen, Tchaikovsky and Brahms; 8.30 pm; Feb 9, 10
GALLERIES
Corcoran Tel: (202) 638 3211
● Family Lives: photographs by Tina Barney, Nic Nicosia and Catherine Wagner. Exhibition explores the power of photography to subvert or reinvent our experience and understanding of events and relationships; to Feb 13
OPERA/BALLET
Washington Opera Tel: (202) 418 7800
● Semela: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production; 8 pm; Feb 9, 15
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keena; 8 pm; Feb 13 (7 pm), 16

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17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Tyrannical face of intolerance

BOOK REVIEW

DICTATORSHIP OF VIRTUE
Multiculturalism and the Battle for America's Future
By Richard Bernstein
Alfred A. Knopf, $25, 367 pages

One of the lessons of the UN conference on population in Cairo last September was that the future of the world cannot be planned in the language of political correctness. The New York-based officials, floundering through sentences several minutes long, struggled to say that the US was not imposing its views about sexuality on other cultures. The response from one Egyptian women's group was robust: "We are sorry you are not imposing more of your values – we don't want female circumcision defended on the grounds that it is 'culturally relevant'."

I wished then that someone had written a book about the dangers of cultural relativism – where any claim about the virtues of one culture over another is taboo. Richard Bernstein, a *New York Times* journalist, has now done so superbly.

The story he tells is a tragedy: the way that the much-cherished US instinct for tolerance has been misappropriated. Out of the best liberal principles of fighting prejudice and discrimination has emerged the new doctrine of "multiculturalism". In a two-year odyssey through US universities and schools, Bernstein describes how the doctrine is enforced, paradoxically, with an intolerance amounting to tyranny.

In an attempt to give equal weight to all cultures, academics have devised a "new history", reinterpreting the events traditionally at the heart of American national identity. Ths influential American Library Association has pronounced Columbus's arrival in 1492 to be the start of "a legacy of European piracy, brutality, slave trading, murder, disease, conquest and ethnocide". Seven-year-olds are taught that Thanksgiving was "the native Americans' Holocaust".

The new approach marks a profound change in the account of the evolution of the US. As Bernstein puts it, the "once-dominant theory of the frontier, the line that divided settlement from wilderness . . . has been scrapped, viewad as Eurocentric". The desire to downplay Europe's influence classifies Shakespeare, Goethe and James Joyce as "dead white European males", just one literature course among many.

Bernstein lists these absurdities at enjoyable length. But, as he also makes clear, the consequences have been savage. Academics and corporate executives who have demurred at the content of college courses, or at quotas for hiring staff based on race and sex not ability, have been sacked or forced to make self-criticisms worthy of Mao's China.

Academic freedom is one casualty. Bernstein records one Harvard professor as saying: "The pain that racial insensitivity can create is more important than a professor's academic freedom."

Truth suffers, too. Bernstein presents a catalogue of cases when the facts of racial and sexual discrimination have been distorted in journalism and social science. The poor performance of some groups is blamed simply on the prejudice of white male society. It becomes hard even to broach questions such as why Asian immigrant children do so well, even though they have not received special courses to bolster their cultural pride.

Bernstein attributes the growth of multiculturalism to national self-doubt, arising from guilt about slavery and Vietnam, and from despair about the black inner cities. But the result is that the US loses the tools by which to analyse these and other failures.

The doctrine also obscures the recipe for future prosperity by blurring the reasons for past success. It describes the work ethic, which generated the highest standard of living of any country on the planet, as simply one – Eurocentric – model among many.

Most importantly, Bernstein argues, multiculturalism threatens to cheat the most deprived sections of US society of the route to success. Teachers who excuse pupils' poor performance on the grounds that their cultures "have a different way of knowing", are deceiving their students about the importance of literacy and numeracy in the real world of competing for jobs.

That is not to say that bigotry does not exist, nor that the passion of the civil rights and feminist campaigns was misplaced. Although Bernstein's account has been portrayed as the symptom of a rightwing backlash by live white males, that is unfair. Indeed, he argues that multiculturalism betrays liberal principles. It defines people by their race and sex, in contrast to Martin Luther King's dream of "a day when my children will not be judged by the colour of their skin but by the content of their character".

It is a shame, however, that Bernstein did not take his argument further to the wider consequences for the US political and legal system. No other country is grappling with ways to mix so many cultures harmoniously. Few have made such direct attempts to tackle discrimination. But it is clear that the US will fail in any attempt to glue together its uniquely diverse population by giving each citizen the right not to be offended.

It cannot succeed because relativism is an incoherent philosophy. Its pursuit not only destroys the language, stripping words such as "knowledge" and "progress" of meaning, but leads to profound confusions in policymaking. Abroad, it leads to uncertainty about the US's response when confronted with countries which do not share its values. At home, it obstructs attempts to describe the country's potential and ways to share opportunity and wealth among different groups.

The solution to the social and economic problems which have inspired multiculturalism is to find answers to those questions, not to censor them.

Bronwen Maddox

ECONOMIC VIEWPOINT

The phoney battle over Emu

By Samuel Brittan

Most of what is being said by senior UK ministers about European monetary union is a smoksscreen to give the impression that they are more opposed to a single currency than they really are.

The first thing to disregard is the vigorous assertion that the UK will not join a single currency in 1997. There is not the slightest chance of there being such a currency to join by then. It is a straw man put up by the prime minister to gain some credit with the Eurosceptics; and if media interviewers were up to the mark, they would immediately pass on to ask him about 1999, which is still much the most likely date.

The year 1997 is, it is true, the earliest possible date mentioned in the Maastricht treaty. But it would need a finding by weighted majority that a majority of EU countries fulfil the criteria. This could only happen as the result of an indulgent reading of the conditions to which German leaders are unalterably opposed. French leaders talk about 1997 in the hope of thereby acquiring enough momentum to make sure that at least the 1999 deadline will be achieved. The treaty states – with no ifs or buts – that Emu *will* then go ahead among the countries that meet the conditions.

The odds, indeed, are that the conditions will be fulfilled sufficiently by 1999 by enough core countries to enable the project to go ahead. Then, provided that the German government is still in favour, it will. The key lies in Bonn, not in London. The only decision for UK government will be whether to exercise its opt-out.

The assumption in Continental financial circles is that this is exactly what Britain will do: if so, it will have no influence at all in the crucial early stages, just as it had no influence on the Common Market itself when that was established in 1958 with Britain outside it.

At the next British election – due by 1997 – voters will know that the decision will have to be made in the parliament they are then electing. The Conservative and Labour parties will either have to come clean on their attitudes or at least promise a referendum.

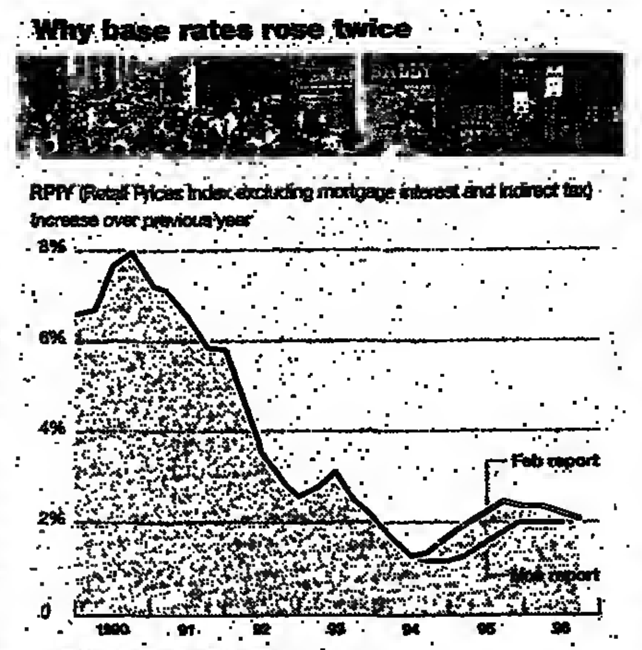
Unlike some fellow-supporters of a single currency, I would like to see a referendum. A single currency does amount to a very large constitutional change, quite unsuitable for decision in an election in which the two main parties are themselves divided. The worst possible basis nn which to establish a single currency would be for the political establishment to try to smuggle it in over the heads of a hostile population.

There is to any case not the slightest chance of adding the "other criteria" to which the UK prime minister referred again on Tuesday. The broken reed on which John Major is leaning is the sentence at the end of article 109j, Paragraph 1, of the Maastricht treaty. This states that the reports on the fulfillment of the criteria should "also take account of the development of the Ecu, the results of integration of markets, the situation and development of the balances of payments on current account and an examination of the development of unit labour costs and other price indices". All international economic reports pontificate on most of these matters, but they are too unspecific to provide further obstacles to delay the single currency.

UK ministers are inventing imaginary hurdles by pointing to less flexible labour markets in Continental countries. But surely the main damage caused by labour market rigidities and high payroll overheads is on the countries who inflict these on themselves? If they continue to do so, the UK would gain a greater share of tha benefits of a single market and a single currency.

It is even said that there will be migration into the UK by Continental workers anxious to take advantage of superior job opportunities. This seems to me a problem of success. It can happen in any case under existing Community rules providing for the free movement of labour.

The last resort argument is that the single currency will impoverish areas such as Spain, Portugal, or southern Italy, and thus require expensive budgetary transfers to help them. Such transfers are no part of Maastricht, and would have to be agreed separately and unanimously by European governments. The implication is that the German government, for instance, will agree to stretching the rules to allow in peripheral countries which are in no fit condition to participate, and having done so, vote them huge sums at the expense of the German taxpayer. The great dabate will not get very far if ministers throw in devious and implausible scare stories to hide their belief that the UK might, after all, need to join.



Too thin a tunnel

It is possible that the Bank of England would have liked to raise base rates by 1 percentage point instead of ½ on December 7, but did not dare to recommend this, bearing in mind that the government had already been defeated by its back benchers over VAT. For that is the only basis on which the second ½ percentage point rise on February 2 makes sense.

Otherwise it would have done better to have waited until the March meeting with the chancellor, when there would have been at least a few indicators of how the economy has been moving in 1995. For there has been insufficient new information between December and early February to justify a second increase, unless the Bank desired it all along.

The evidence so far suggests that capacity pressures are still increasing on that 20 per cent of the economy accounted for by manufacturing, but are easing in the the remaining 80 per cent. (The Bank's new Inflation Report this time does not even make a guess about the capacity gap in the whole economy). But why should policy be dstermined by capacity constraints in manufacturing rather than in the whole economy? This is especially strange in view of the desire of respectable opinion to induce a rise in manufacturing investment and capacity – which is best done by allowing demand in that sector to expand.

The Bank has a regular chart of "RPIY", which is based on a more hard core definition of underlying inflation than the government's "RPIX". For in contrast to the latter, it excludes not only mortgage payments but also indirect tax increases. The Bank expects this rate to stay below 2¼ per cent over the next two years – thanks, it would say, to its "stitch in time" rate increases.

It operates with the rule of thumb that each 1 percentage point increase in base rates has after two years an impact of somewhat less than 1 percentage point on underlying inflation. The rule is inherently suspect. For if inflation were permanently reduced, nominal interest rates would be lower, not higher. There has, therefore, to be a cross-over point where higher interest rates now lead to lower interest rates later. Anyone who claims to know where this is would deserve the Nobel Prize – not for economics but for charlatanry.

What is basically wrong is that the present official inflation target range of between 1 and 2½ per cent is ridiculously narrow. It is particularly so, when stated in terms of the Treasury's RPIX, which includes the chancellor's own indirect tax increases, and which the Bank rightly expects to be breached vsry soon. The Treasury is studying how to reformulate the target – but for the next parliament – and therefore will have to give as much attention to Gordon Brown's instincts as to those of Kenneth Clarke.

Msanwhile, it will not be easy to read off from any inflation index whether the Bank has gone in for overkill, because of international influences. Prices of imported materials and components respond to the state of world activity and to the sterling exchange rate rather than to UK domestic demand. Moreover, how far British manufacturers can go either in conceding pay claims or passing on other cost increases depends on the buoyancy of the world economy and not just on demand in the UK.

The old idea in the mid-1980s of looking at the conjuncture of the whole Group of Seven major industrial countries before looking at national detail had much to be said for it. Having an EU Central Bank which takes a European perspective will be an advance.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Mexico loan eases wider instability

From Mr T Matthew W Pragnell.

Sir, In his article "The real lesson from Mexico's debacle" (January 30), in which he criticises the US loan to Mexico, Michael Prowse fails to mention the fact that the policy enacted by President Clinton is consistent with US foreign policy toward its neighbouring countries. Prowse expresses sympathy with "rank-and-file members of the US Congress who cannot understand why so massive a financial guarantee is required" and see it as "unfair reward for crassly imprudent policies in Mexico". Yet he makes no mention of the possible political motivation of a congressman, the majority of whose electorate would confuse the backed loan as a handout with no particular reference to their district.

It is a fact thet the southern and contiguous states will be most affected (California is reporting a 30 per cent drop to tourism). It is also a fact thet supposedly "undeserving" countries, such as Chile and Argentina, have suffered as a result of the crisis. Rather than consider the collateralised loan as a reward for "irresponsible behaviour", Prowse should consider not only the foreign policy drawbacks in not lending but the consequential instability resulting throughout Latin America, not just Mexico in isolation.

T. Matthew W Pragnell,
Bosque del Morro #3,
Bosques de la Herradura,
Huixquilucan, Mexico

Economy needs single currency

From Mr Duncan Heenan.

Sir, Those who oppose a single European currency should review their basic economics and consider the functions of money. There are only three: a means of exchange, a unit of account and a store of value. All three functions are enhanced by a wider acceptance of the currency. It is worth remembering also what money is not: a national flag, an item of intrinsic value or a meal ticket for the money changers.

For manufacturers such as ourselves who make products with an intrinsic value, and sell quite a lot of them abroad, the arguments advanced by the opponents of a single currency seem remote from the real economy, as do some of the derivative "products" and markets they have invented to interfere with economic fundamentals.

I doubt whether such comments will be listened to by the decision makers, however, as we live in a culture which seems to consider the carving up of profits a more worthy activity than the generating of them.

Duncan Heenan,
finance director,
Bredon Group,
2 Kingsditch Lane,
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Gloucestershire GL51 9PD, UK

Such defence of sovereignty is shocking

From Mr William Wallace.

Sir, I'm fascinated, and shocked, to read that Mr Tim Melville-Ross, the director-general of the Institute of Directors (Letters, February 2) feels impelled to defend British sovereignty. Sovereignty as an idea belongs with protectionism, resistance to foreign ownership and investment, promotion of home manufactures and agricultural self-sufficiency. It is the vocabulary of Friedrich List rather than of Adem Smith.

Does the IoD really believe that "British business and the British economy should be ruled . . . by our own democratically elected and accountable parliament in Westminster"? The aim of those who object to over-regulation from Brussels should surely be to free business from over-regulation, not to encourage the British Parliament to impose national regulations instead, justified on sovereignty grounds. In an open and increasingly integrated international economy, in which multinational banks and companies operate into and out of Britain, the concept of an autonomous British economy is outdated.

Even more disturbing is the implication that the IoD is happy with the British Parliament in its present form, as a democratic institution or as a body which can effectively hold government to account. I was a member of an IoD working group some years ago constructively criticised the failures of the British constitution and governmental structure.

Evidence has since accumulated that there are many fundamental weaknesses in the British political system, above all in Parliament. The nationalist cry of parliamentary sovereignty is not one which intelligent business leaders should wish to support.

William Wallace,
European Studies Centre,
St Antony's College,
Oxford OX2 6JF, UK

From Mr Peter N Manning.

Sir, None of the respondents to Mr Tim Melville-Ross's letter seems to dispute the fact that "we have seen the wholesale loss of our ability to govern ourselves and lead our own lives" by transfer of our sovereignty to Brussels.

If true, it begs the questions: Is there any purpose in voting in future UK general elections? And what future do the Conservative, Labour and Liberal Democratic parties have?

Are we not witnessing the start of a sea change in British politics, following which the parties will regroup into one which supports the free trade European Economic Community (which is what we joined in 1973); one which supports the federal European Union (which is what we are increasingly finding ourselves in) and one which does not want to be in Europe at all?

Peter N Manning,
4 Oakside Lane,
Langshott,
Horley,
Surrey
RH6 9XS,
UK

UK banks frequently play critical role in corporate rescues

From Mr Alan Griffiths.

Sir, I was surprised by Thomas Martini's claim (Letters, February 6) that British banks, unlike their counterparts in Germany, apparently have neither the inclination nor perhaps the capability to orchestrate large corporate rescues such as the restructuring of Kloeckner-Humboldt-Deutz.

As an insolvency practitioner I have frequently been involved in advising banks on corporate rescues. It is my experience that UK banks often play a critical role in creating the opportunity for companies in financial difficulty to implement turnaround strategies and restructure or reschedule their financial obligations, providing the banks themselves believe that such strategies offer a reasonable prospect of success.

An important aspect of the frequently unpublicised rescue of leading UK corporations is the "London Approach". This tries to provide a framework within which a consensus can be built among disparate groups of lenders to a constructive resolution of a borrower's financial difficulties. The Bank of England acts as ultimate guardian of the approach and occasionally is involved in gently persuading dissenting lenders of the merits of providing support.

Although UK banks do participate in debt-for-equity conversions when circumstances require, they also tend clearly to separate responsibility for stewardship of the equity from the remaining debt.

If there is anything to learn from the recent near collapse of KHD it is the dangers of banks becoming too closely involved over an extended period as shareholder/managers in the implementation of a turnaround, thereby protecting the company from the realities of external financial markets.

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Algeria and the EU

President François Mitterrand's suggestion that the EU ebould sponsor an Algerian peace conference has infuriated the Algerian government, which has denounced it as French interference in its internal affairs. It has also embarrassed the French governmant, which the president had not seen fit to consult (though he had discussed the idea with Chancellor Helmut Kohl the previous night).

It has for months been obvious that Algeria is one of the subjects on which France'e foreign and interior ministers do not see eye to eye. Mr Alain Juppé favours dialogue between the Algerian government and its Islamist opponents, while Mr Charles Pasqua opposes any compromise witb Islamic extremism on either side of the Mediterranean.

Mr Juppé's view is backed by France's European partners and the US. To them it is obvious that Algeria cannot solve its problems by "eradicating" the extreme Islamists, as the currently dominant faction within the Algerian military is trying to do. The regime's cancellation, three years ago, of elections which the Islamic Salvation Front (FIS) was about to win has legitimised the use of violence against it in the eyes of many Algerians; and many more now regard the regime's own methods with as much distaste and fear as those of the terrorists they are ostensibly aimed at.

Starting point

In Rome last month opposition parties – among them the former ruling party (FLN), the secular Socialist Forces' Front (FFS) and the FIS itself – drew up a peace plan based on new elections and a promise to maintain multiparty democracy thereafter. This plan by no means solves all questions. There are legitimate doubts about the FIS's sincerity, and about its ability to impose the plan on the more radical Armed Islamic Group (GIA). The latter has grown as the civil war has escalated, and claims responsibility for many of the most vicious acts of terror.

But the plan offers by far the best starting point for a peaceful solution, and received endorsement as such from EU foreign ministers on January 23. By rejecting it out of hand the Algerian government has clearly put itself in the wrong. Its own plan to organise presidential elections from which the FIS wonld be excluded lacks any credibility. Indeed, its reputation is such that some independent analysts were willing to believe last week's devastating explosion in the heart of Algiers was the work of the security forces, not the Islamists.

Greater influence

Mr Juppé has expressed support for the Rome plan, but for the moment it seems Mr Pasqua wields greater influence. France continues to shell out economic, and it is believed also military, aid to a government whose policy it officially disapproves of, and is pressing the International Monetary Fund to accord Algeria a three-year debt relief facility.

This policy is dangerous not only for France but for Europe. The EU may well find itself the target of terrorism if Islamist militants come to believe that only western support is keeping the regime in power. Nor is that the only reason why France's partners should feel concerned by Algeria's fate. Spain and Italy are even closer than France to Algeria as the missile flies, or as the boatload of refugees sails. Even from London, Algiers is about the same distance as Sarajevo. As Mr William Perry, the US defence secretary, said in Munich last weekend, "the spread of instability across tbe Mediterranean not only threatens friendly regimes in North Africa and the prospects for a comprehensive peace in the Middle East. It also threatens Europe with new social and security problems, such as terrorism and the proliferation of weapons of mass destruction."

A negotiated political solution to Algeria's crisis must be in Europe's interest; and while France for historical reasons is the most closely involved, those same reasons make a French initiative particularly hard for Algerians to accept. Indeed, earlier this week Mr Juppé's subordinates at the Quai d'Orsay were distancing themselves from Mr Mitterrand's proposal by saying that "if there is one country from which an initiative should not come, it is France". All the more reason why France's European partners should be prepared to play their part.

Sustaining UK recovery

The latest *Inflation Report* from the Bank of England demonstrates thet institution's new found power over British monetary policy. If the chancellor had avoided the two half-point increases in the base rate of interest introduced since the report published last November, he would stand condemned for ignoring the Bank's forecasts. Mr Clarke could not have risked this, whatever he may have privately wished.

Two questions arise. The first is whether the Bank is exercising its powers wisely. Tha second is wbether the government needs to reconeider its monetary policy framework in some way. The answer to the first is "probably yes", while the answer to the second is "definitely yes". A new medium-term target for inflation must be set this year.

The government's present target range for inflation is 1-4 per cent. But inflation is supposed to fall within the lower half of this range by the end of this parliament. In yesterday's report, the Bank presents 2½ per cent, the top of the lower half of the 1-4 per cent range, as its central estimate for inflation two year's hence. It also remarks that, "without the increases in interest rates since tbe previous report, tha Bank's central projection would now have been for inflation to be in the upper half of the target range".

The chancellor has been caught between tbe rock of Bank of England pessimism and the hard place of higher interest rates. Since the central projection is still at the top of the 1-2½ per cent band, there is an excellent chance that the Bank will request – and obtain – further increases in coming months.

Too gloomy

That is what markets expect. As the report notes, short-term interest rates are forecast to be 8.4 per cent at the end of the year. This looks too gloomy, as does the inflation forecast of over 4 per cent implied by the gap between the yield on conventional and index-linked gilts. In both cases risk is also a factor. The risks are linked to the Bank of England's view that inflation is more likely to exceed the central estimate than fall below it: it is far easier to envisage inflation at, say, 5 per cent two years hence than at zero.

A fundamental question is whether tha Bank's caution threatens economic overkill. Probably not is the answer. Though slowing, growth has been above trend. The labour market is tightening. All measures of inflation (except for services) have risen since the last report was published. There is also plenty of evidence of costs still to be passed through. These cost pressures are strongly concentrated in manufacturing, while the UK enjoys export-led growth. Yesterday'e report on regional trends from the Confederation of British Industry notes, for example, that "export orders have increased faster at the national level than at any time since April 1985".

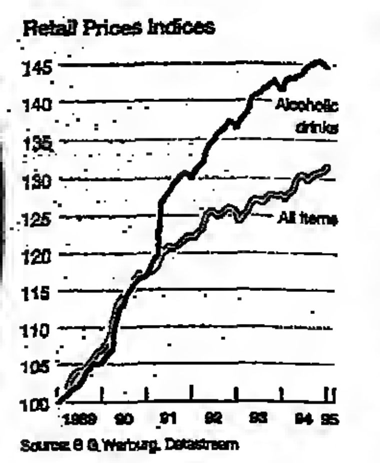
Sustained growth

However desirable in terms of the ultimate balance of the economy, this pattern also makes estimates of the overall output gap somewhat irrelevant. If capacity runs out in manufacturing, prices of output are likely to shoot up. What is needed before then is more investment. Sustained growth should lead to the needed increase, but this has, unfortunately, not been in evidence hitherto. What would bury the hope altogether would be a period of excessiva growth, rasurgent inflation and then another recession.

An important element in nurturing the needed confidence in medium-term stability is extension of the monetary framework, preferably on a non-partisan basis, into the next parliament. The 1-2½ per cent target range is too narrow, while the wider band of 1-4 per cent is arguably too high. It would make excellent sense for the chancellor to propose a 0-3 per cent target for future inflation, the chosen measure being the one that excludes both mortgage interest and indirect taxes.

The performance both of the economy and of fiscal and monetary policy have been outstanding over the last couple of years. But now is the point in the cycle when inflation starts exceeding forecasts and output starts exceeding capacity, at least in important parts of the economy. Promoting a recovery is one thing, extending it into a long period of non-inflationary, export-led growtb quite another.

Retail Prices Indices



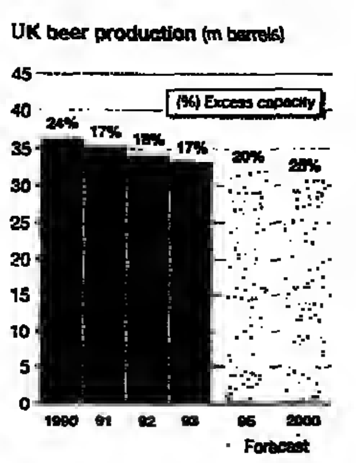
Source: S G Warburg, Datastream

Leading lager brands, sales 1993

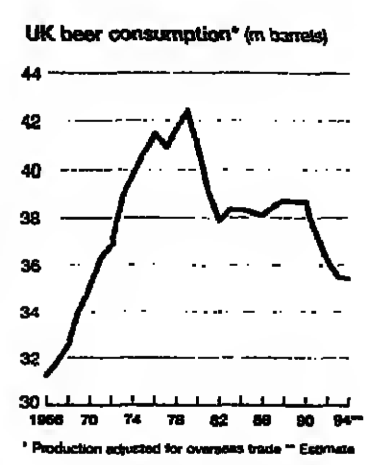
Premium lagers	Volumes (m barrels)
Stella Artois (Whitbread*)	0.50
Tennents Extra (Bass)	0.40
Holsten Pils (Courage*)	0.40
Budweiser (Courage*)	0.35
Lowenbrau (Carlsberg/Tetley)	0.35
Carlsberg Special (Carlsberg/Tetley)	0.30
Carlsberg Export (Carlsberg/Tetley)	0.30
Kronenbourg 1664 (Courage & Regionals)	0.30
Becks (Scottish & Newcastle*)	0.30
Tennents Super (Bass)	0.25
Holsten Export (Courage)	0.20
Grolsch (Grolsch)	0.15

* Licensed Brand

UK beer production (m barrels)



UK beer consumption* (m barrels)



* Production adjusted for overseas trade ** Estimate

Fresh ferment for the brewers

Government intervention continues to weigh heavily on the UK industry, writes **Roderick Oram**

In a former life, the Old Punch Bowl pub at Crawley in Sussex was a bank branch. It is within earshot of Gatwick airport bnt most nights it is noisier inside than out. The place is packed with young customers knocking hack expensive British cask ales and premium foreign lagers.

Greene King, the brewer which spent £1m to convert it, regrets not a penny. Mr Tim Bridge, chief executive, says takings are far above plan even during the traditional post-Christmas decline in sales. The key to its success is that it appeals to local "circuit drinkers".

This euphemism for "pub crawlers" speaks volumes about the migration up-market of British brewing and pub retailing. The future looks expensive and prosperous for brewers such as Greene King and Whitbread which have best responded to the trend. But the future looks less inviting for others such as Bass and Courage, which are burdened by excess brewing capacity, a product mix of declining keg beers and standard lagers, and too many unimproved pubs.

To a great extent, the winners and losers in the industry can both cite government intervention as the cause of their present state. What worries the industry most is that the government seems unwilling to leave it alone to work through the changes into a modern consumer-oriented industry. Only this week, the Office of Fair Trading said it would investigate the price brewers sell beer to their captive pubs.

"It is the 33rd time since 1966 the industry has been flung into apparent disarray by government intervention," says Sir Paul Nicholson, chairman of tbe Brewers and Licensed Retailers Association and chairman of Vaux Group.

His message to the government is: "You got it wrong last time and did some damage but that was controllable. Don't get it wrong again and do even more damage which might not be controllable."

The heaviest hand the government has taken to the industry in recent times were the 1989 Beer Orders, made after an inquiry by the Monopolies and Mergers Commission found brewers' ownership of pubs limited competition.

The main aim of the orders was to weaken the hold brewers had on retailing by forcing them to sell some of the pubs they owned. The industry fiercely opposed the orders, arguing the relationship helped guarantee them sales outlets, pub landlords financial support and thus consumers a cboice of pubs and beers.

Sir Paul and other brewers fear the latest OFT enquiry is a further assault on the relationship. Some of the pubs they were forced to sell went to small regional brewers but most to independent pub companies that have no links with brewers. The number of pubs not tied to brewers doubled to about 25,000 out of the UK's 65,000 pubs, sparking a battle between Bass and Courage to sell their beers through them.

This triggered a price war in 1992, competition tbat continues to undermine margins today. The OFT is interested why brewers are selling beer more cheaply to free houses than tied houses.

Consumers have benefited from increased competition from the new independent pub companies and from a proliferation of beer varieties from brewers such as Whitbread whicb are trying to build new upmarket brands.

But costs include the closure of thousands of pubs unable to justify the investment needed to modernise them. Moreover, beer prices have risen almost 50 per cent faster than inflation over the past six years, partly because of investment in new ownership or refurbishing.

The industry's ability to adjust has been hindered by an ownership logjam, with large parcels of brewing and pub assets owned by companies wanting to leave the UK industry. An example is Foster's Brewing of Australia whicb owns Courage, Britain's second largest brewer, and half the Inntrepreneur Estates Ltd, a pub-owning joint venture.

The need for the industry to complete its change is ever more pressing. Beer consumption is declining, worsening tbe problem of excess capacity. There are also still about 10,000 pubs in the UK that cannot justify their economic existence.

One factor is the trend to home drinking. A decade ago 12 per cent of beer was drunk away from pubs. The share is 25 per cent and could hit 30 per cent by the late 1990s.

Another problem is the growing incursion of cross-Channel imports and the government's unwillingness to lower excise duties to counter them. Also, the EU must decide in 1997 whether to renew the exemption from competition laws it granted brewers' tied estates.

Of the remedies to the industry's ills, the most pressing is to take out excess brewing capacity estimated at about 25 per cent. The trouble is much of tbe unwanted capacity is in large, relatively modern plants for keg ales owned by big national brewers. These are the mass produced beers that have lost popularity compared with rising consumption of specialist cask ales.

All tbe easier cnts in capacity have already been taken out: tbe big brewers by closing some smaller plants; a handful of medium-sized regional brewers such as Boddington and Greenalls have given up brewing to concentrate on retailing through pubs and other outlets.

The industry's ideal solution to the problem of overcapacity would be for Courage to be sold to one or more national brewers who would be willing to sboulder the cost of sbutting some plants. But if there was a Courage deal in the making, as some in the City suspected, it will almost certainly have been delayed by the latest OFT enquiry. If Courage remains intact, a long period of trencb warfare lies ahead for the industry.

The elimination of excess pubs will be a gradual process. If they cannot get the investment they need, they will be sold off. But this does not always remove tbem from the market: typically pubs sold by large brewers drop down through the ownership cbain to a smaller brewer or an independent company. Only wben there is no future for it as a pub does it leave the industry, normally to become a bome.

A typical candidate for sucb a demise is an inner-city "back-street boozer" in an industrial town which had once lived on selling vast volumes of beer and not much food or entertainment. A pub estate manager recalls six changes in ownership of one such pub over 12 years before it was finally de-licensed and sold as a bouse.

For those wbo fear the current economics of pub owning will mean the end of their local there is some hope. A few villages, for example, are trying co-operative ownership or doubling up the premises with other businesses, such as a hairdresser or post office. Even if the pub might be open only at tbe weekends, it is still there.

For the industry, however, the future lies in upgrading pubs to draw back customers. All brewers have learnt bow to brand their pubs in varying formats to appeal to different customers. Scottisb & Newcastle is experimenting with a chain called the Rat and Parrot, with big clear windows to encourage women customers reluctant to enter pubs they cannot see into.

Mr Peter Jarvis, chief executive of Whitbread, is not the least embarrassed to say that one of his big new pubs "is more like Disneyworld than a boozer" or to talk of a pub visit as a "leisure occasion".

But it is often the new independent companies, such as J.D. Wetherspoon or brewers turned retailers sucb as Greenalls, whicb are most successful in running attractive pubs and increasing turnover. Wetherspoon, for example, adds to its estate only by converting large high street premises into pubs. It reckons big beer volumes of, say, 1,500 barrels a year per pub allow it to undercut prices in Whitbread pubs, for example, by 5 to 10 per cent.

As willing as the large brewers are to embrace such strategies, this week's OFT announcement bas brought new uncertainty into the industry that is likely to delay the restructuring essential to its future.

Opportunity to reform the CAP

PERSONAL VIEW

The Common Agricultural Policy (CAP) of the European Union has survived numerous crises, many of them self-generated. Over the course of time, the policy bse changed significantly as a result of these crises.

However, furtber reforms are likely to be needed for a number of domestic reasons – in particular, the incorporation of the countries of central and eastern Europe. One of the many problems in the process is that of integrating their agricultural sectors into the enlarged internal market.

Their agricultural sectors are currently in recession, as a result of the transition to a market economy in those countries. But compared with industry in eastern and central Europe, agriculture has proved remarkably robust in the transition process. Once the sector recovers, its output would add dramatically to the Union's already large agricultural surpluses.

The EU needs to complate reform of the CAP as soon as possible, starting with the unfinished business of the reform of 1992 introduced by Mr Ray MacSharry, then agriculture commissioner.

This cut support prices for some products and introduced payments to farmers who set aside land from prodnction. However, to receive these compensation payments, farmers still have to produce on some of their land. This is like driving a car with one foot on the brake and one on the accelerator.

The EU should tilt its foot from the accelerator by relaxing the requirement to produce in order to receive payments. It should also lift the other foot off the brake by eliminating obligatory set-aside – with lower snbsidies for the products, the incentive to over-produce is reduced.

Without the requirement for specific land use, the payments would be targeted at the farmer as a person, rather than at the farm. The scheme should also have a defined duration, say for 10 years, to allow farmers to plan their future. This would allow the farmer to make significant adjustments to production and land use without s sharp drop in income during that period.

Payments to individuals could be made in the form of a bond entitling the holder to the payments over the 10 years. Farmers would be free to sell these bonds on the capital market, making it easier for them to restructure their farms or to establish a new career outside agriculture if they wish.

Compensation payments should be targeted at the farmer as a person, rather than at the farm

A second step would be to extend the *MacSharry* reductions in support prices for products not yet covered by CAP reform and giving compensation payments to the farmers concerned. This would extend reform to other arable crops, such as sugar, as well as the livestock sector, where reform has been tentative to date.

Where production quotas are in place – that is, for milk and sugar – price rednctions should be sufficient to ensure that quotas are no longer necessary. Compensation payments would in effect buy out the quotas from the present holders.

The rewards from this completion of reform would be to create an internationally competitive agricultural sector in which subsidies can be phased out. This would allow integration of eastern and central European agriculture witb much less disruption and financial cost.

It would also ensure that tbe highly productive agricultural economy of the EU is fully contributing to economic growth by the better use of resources. And there would also be an international pay-off in the next round of agricultural negotiations in the World Trade Organisation, when the EU would be able to take the lead in pressing for further access to other countries' markets in agricultural produce.

The competitive farming industry in an enlarged EU that would emerge from this reform process would be able to seize the opportunity to sell to other parts of the world, and the EU food industry would be in a stronger position to support it in this process.

There is little doubt that the CAP will survive into the next century. However, if it is to survive in healthy shape it has to undergo further changes soon. Witb some timely medicine, bealth can be restored in the years to come.

However, waiting until another crisis occurs means that massive surgery will be required under the pressure of rapidly accumulating surpluses.

The opportunity should be seized by the new Commission in the coming months to begin the process of building a CAP for the next century whicb will encourage a competitive agricultural sector that is neither dependent on subsidies nor constrained by bureaucratic decisions.

Stefan Tangermann and Tim Josling

Stefan Tongermonn of Göttingen university ond Tim Josling of Stanford university ore outhors of o paper on CAP reform and ogriculture in central Europe, published by European Commission last month

OBSERVER

Governing obsession

■ Nothing like being in the right place at the right time, Sir Peter Kemp might have reflected yesterday, opening a Warsaw conference on the creation of a stable, apolitical civil service.

Next to him was Michal Strak, the Peasant party minister responsible for Poland's government administration. The previous evening Strak attended talks with leaders of the Left Democratic Alliance, his coalition partner, where both sides agreed the only way out of Poland's government crisis was for prime minister Waldemar Pawlak to resign.

Trouble is, Pawlak's replacement, Jozef Oleksy, another Left Democratic Alliance man, is no fan of Strak, who could thus also be on the way out. Strak is a leading backer of an independent civil service, seeing it as providing continuity through turbulent political change. Poland is catching Italy's revolving door sickness – Oleksy will be the seventh prime minister since 1989 – and Strak's demise would deal a body blow to the idea of an independent bureaucracy.

But at least the Poles have got hold of an experienced chap in Kemp, who knows all about politicians fiddling while bureaucrats burn. In 1992 ha was forced out from his job as permanent secretary of the office of public service and science, the department administering Britain's civil service, after he fell foul of William Waldegrave, minister in charge.

Mini-bar blues

■ Busy during the week of March 6-12? Why not shuffle over to Copenhagen, for the UN conference, The World Summit for Social Development, where international poverty tops the agenda.

A disincentive might be the dearth of 'international class luxury suites' in Copenhagen's hotels. There are only a handful, yet the organisers hope 100 heads of state and government leaders will attend.

Not even Observer's wiles can prise from Danish officials which nations are kicking up most fuss over the low level of accommodation on offer; though their fingers point towards some of those nations most familiar with grinding penury.

Get on down

■ The high and mighty of the German Bundesbank let their hair down at a festive dinner in Berlin on Tuesday night, celebrating the birthdays of Helmut Schlesinger and Karl Otto Pohl, the two most recent presidents.

The atmosphere was decidedly relaxed, with party-goers doing their best to show that even the Bundesbank has its lighter side. Current president, Roman Herzog, apologised for his wife's absence; she had mixed up the details for her engagements that evening.

Pohl stressed that the Bundesbank's attempts to control the money supply are more art than science. In his 11 years as Bundesbank president, be confessed, he bad never understood the central bank's techniques for keeping M3 on track. *Now* he tells us?

Ex-sports reporter Pohl said be and Schlesinger had been key players in a football team. Midfield dynamo Schlesinger fed him the balls and Pohl, as an occasionally erratic striker, sometimes shot over the top of the bar or even scored a few own goals, be said with a chuckle. As extended metaphors go, it deserves the red card.

Quite contrary

■ It's easy to find a list of the best stockpicking analysts. Probably much more useful is a league table of the worst. Financial World, the US business magazine, has collated a list of analysts and brokerage firms whose recommendations were best ignored during the 12 months to June 1994.

The median gain for the 633 analysts covered was 3.9 per cent, hardly marvellous when the Dow Jones Industrial Index rose 16.6 per cent over the same period. The wooden spoon goes to Therese Murpby, telecommunications and software analyst at Smith Barney. She registered a 58.5 per cent loss, the biggest mistake telling clients to stop buying shares in Stratcom, a switching system maker: the shares then tripled.

Bottom firm was Ladenburg Thalmann, an outfit little known outside the US. But nudging it was NatWest, with big names like Oppenheimer, Lehman Brothers, Salomon, Morgan Stanley and Goldman Sachs doing little better.

Do we now ditcb the losers, or buy their sales talk on the grounds that even monkeys sometimes hit the right key?

Butch bearded

■ If the British Football Association is worried about discipline among some of its plsyers, tbey might usefully compare notes witb some of the leading US basketball teams, where pay cheques which would have embarrassed even Croesus have made disciplinary fines a joke.

The New Jersey Nets have a star forward named Derrick Coleman who earns $7.5m a year. Coleman refuses to abide by the Nets' dress code of jacket and tie when travelling. The team threatened to fine him each time be violated the code. Now Coleman has presented manager Butch Beard with a signed – blank – cheque.

The Financial Times

100 years ago

Gold mine prospectus
The prospectus of the Cardiff Castle Gold Mines appears at first sight to be too good to be true. Forty-five acres of auriferous ground, with a reef from 10 to 20 feet wide and yielding 4 ounces to the tonne running throughout it for £60,000 seems ridiculons, and – were a large sum asked for the property – we should have no hesitation in cautioning investors with regard to the statements made. But the way the property is placed before the public disarms criticism and induces belief. [Cardiff Castle was formed to work 20ha in the Coolgardie district of Western Australia]

50 years ago

Belgian imports problem
Popular discontent with the results of the monetary reform is chiefly responsible for the downfall of M. Pierlot's Government, which has guided Belgium's destiny with an unsteady hand since the country's liberation. While the "surgical operation" of last October has given a shock to the entire economic system, it has not produced the expected results. Goods are as scarce as ever; stocks are lower than ever.

FINANCIAL TIMES
Thursday February 9 1995

Loyalties tested in Hong Kong

Colony's political future divides a legal family, writes Simon Holberton

Simon Li and his daughter Gladys do not talk about Hong Kong politics any more. He advises Beijing on the colony's legal system; she represents one of the strongest voices of opposition to the plans for that system after 1997.

"Our discuseions have the potential to generate more heat than light," says Gladys, a QC who last month was elected to the chair of Hong Kong's Bar Council. "It's better for the digestive system not to discuss these things at the dinner table."

Her father, s former court of appeal judge, agrees. "We know our political views are poles apart. Why bother?" The gulf separating father and daughter is one that is increasingly common in Hong Kong as 150 years of British colonial rule draw to an end with the resumption of China's sovereignty in 1997. The division is especially strong among the colony's mostly western-educated elite who dominate politics in Hong Kong.

Mr Martin Lee, chairman of the Democratic party, the colony's pro-democracy party, is a similar prominent case. His sister-in-law, Mrs Nellie Fung, like Mr Simon Li, is a Hong Kong member of the Preliminary Working Committee (PWC) – the body advising Beijing about the colony's handover in 1997.

Mr Szeto Wah, deputy chairman of the Democratic party and a passionate advocate of democracy for Hong Kong and China, rarely sees his brother, Keung, who, until his recent retirement, was an official with the Hong Kong branch of the Xinhua news agency, Beijing's de facto embassy in the colony.

The Li's are one of Hong Kong's leading families. Like most wealthy Hong Kong families, they looked to England, rather than to China. Both are products of an English legal education; Mr Simon Li was called to the bar in 1951, his daughter, after an English puhlic school education, in 1971.


Simon and Gladys Li: divided by politics as 1997 approaches

Bnt in many ways their involvement with the British has proved as problematical as any westerner's involvement with China: the encounter has – ironically, given their opposing political views –formed s common well of resentment.

The pain Mr Simon Li feels at the injustices of past colonial administrations is near palpable in his description of being perceived hy others as a second-class judge.

In the 1970s he helped to establish the Senior Non-expatriate Officers Association in the Hong Kong civil service, s group thet fought for equality of benefits, such as free travel to Britain and subsidised children's education. "That to me is human rights and democracy," he says.

Gladys's disillusionment with the colonial power grew gradually. She was first stirred by a change to Britain's immigration law in the 1960s that deprived about 3.2m British subjecte of Chinese ethnicity of British citizenship.

But the turning point was the negotiations that led in September 1984 to the Sino-British Joint Declaration, the landmark agreement that provided for Hong Kong'e transfer to China in 1997.

"It is very difficult to describe the feeling of shock I felt when Geoffrey Howe [Britain's foreign secretary at the time, now Lord Howe] came back from Beijing in [July] 1984 and said 1997 marked the end of British administration of Hong Kong. In lots of ways we had been prepared for it, but it came as a shock," she says.

"But I don't think the feeling of betrayal was as acute then as I feel it now. Britain just didn't have any kind of strategy for managing the transition."

The result of this lack of strategy, she believes, can be seen in the controversy surrounding the establishment of a court of final appeal in Hong Kong before the handover.

The Bar Council opposes the Hong Kong government's plan, which is the result of e "secret" 1991 Sino-British agreement, to limit to one the number of expatriate judges permitted to sit on the five-member court at any one time.

Ms Li believes that the wording of the Joint Declaration and the Basic Law, Hong Kong's mini-constitution for post-1997, allowed for more than one expatriate judge, or none at all, to be called to hear a case, depending on tha nature of the case.

Her interpretation is indirectly supported by her father. "When we were drafting tha Basic Law I suggested that Hong Kong did not need a permanent court, just a legally qualified secretary-general who had two lists of judges – one local, and one foreign," Mr Li says. "When a case came up, the secretary would decide, according to the case, whether one or more, or no foreign judges were needed."

Such fine points of law are unlikely to be the stuff of discussion between the two. Ms Li has had enough of "confidential" discussions and denies that any good could come from her trying to cut a deal with her father.

In her view, it was a lack of consultation with the legal profession in the first place thet landed Hong Kong in the current controversy abont the court of final appeal.

"One of the difficulties of working in secret is that it is like sending semaphore in the dark; the opportunities for getting mixed signals are legion," she says.

Walesa puts weight behind compromise PM candidate

Continued from Page 1

within the two-party coalition which has governed Poland since parties with their roots in the communist past together won 70 per cent of the parliamentary seats in the September 1993 general elections.

The SLD emerged as the largest party but agreed to give the premiership to the small Peasant party. By taking over the premiership, the SLD will strengthen its position, reducing the influence of the PSL, which becomes the junior coalition partner.

The PSL caucus deliberately declined to nominate Mr Walesa's preferred candidate for the premiership: Mr Alexander Kwasniewski the SLD leader. It opted for Mr Oleksy in the belief that he would give them a better chance of maintaining a strong position in tha next government.

Until now Mr Kwasniewski has played an important behind-the-scenes role withont formally being a member of the coalition. That is likely to continue. Yesterday he indicated thet the formation of a new government would not be limited to personnel changes hut would also result in a significant reorganisation.


Jozef Oleksy: a compromise candidate for the premiership

Mr Kwasniewski indicated that the new government would consolidate the various economic ministries into one ministry of industry and a treasury.

Samsung seeks European site for $1bn chip factory

Continued from Page 1

capacity of its D-Ram plant in Newton Aycliffe.

Samsung currently ranks as the world's seventh-largest chipmaker, with 1994 sales of about $5bn, according to Integrated Circuit Engineering, a semiconductor market research group.

The Korean group is also the fastest growing of the world's top 10 makers. Its semiconductor revenues increased by 61 per cent last year, double the pace of other large chipmakers.

Samsung's European plans mirror those in the US, where the company aims to draw up a shortlist of possible sites for a $1bn plant by the end of April, with a final decision due by the end of the year.

"Europe is working on a similar time line, just slightly behind us," said Mr McDonald. In evaluating sites for its plants, Samsung is seeking "communities that welcome industrial development", he added.

Other considerations will include costs and a good water supply, because semiconductor production requires large quantities of pure wster. The site would also need a well educated local workforca, he said.

Samsung has a semiconductor assembly and test plant in Portugal. Last week, the company also announced an agreement to purchase large quantities of memory chip wafers produced hy NEC, the Japanese company, at its chip plant in Scotland.

Its plants will initially produce 16-megabit and 64-megabit Dynamic Random Access Memory (D-Ram) chips. These semiconductors represent the next two generations of data storage devices used in computers. The computer industry is in transition from 4-megabit D-Rams to 16-megabit versions.

The new Samsung plants will also produce multimedia chips and graphics chips for use in computers and consumer electronics products.

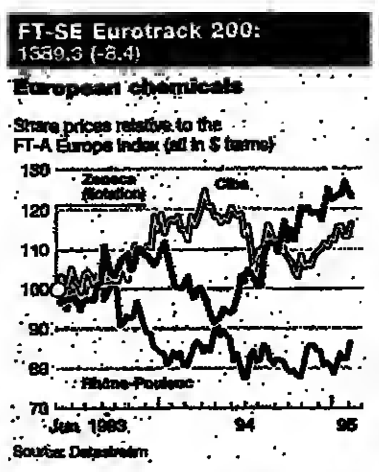
Demand for D-Rams is growing, driven primarily by the personal computer industry. World D-Ram sales increased by almost 70 per cent to more than $23bn in 1994, according to ICE, and growth is expected to continue at a similar rate through 1995.

LEX COLUMN

Rhône's opaque alchemy

Rhône-Poulenc's shares have routinely lagged those of its closest competitors. That is partly because of its performance: while other chemicals companies power ahead, Rhône-Poulenc splutters. Its pre-tax profits last year rose just 0.1 per cent. True, net profits doubled, hut that was mostly due to e 60 per cent tax rate cut. In any case, tha improvement was from a low base: 1993's net profits were the lowest for a decade.

FT-SE Eurotrack 200:
1389.3 (-8.4)



Rhône-Poulenc's underperformance is also caused by its financial opacity. By French standards, the company's reporting is relatively transparent but that is not saying much. More must be done if the group wants investors to rate it favourably against Ciba or Zeneca. A start would be a reduction in the number of surprise restructuring charges and unusual swings in unallocated costs. Yesterday's full-year earnings undershot top estimates by 20 per cent, a large margin given the group had already posted nine-month figures.

Whether the shares deserve a rerating is another question. The agro-chemicals and health operations are struggling against market slowdowns. The group is trying to sell commodity businesses that could boost results during a cyclical upturn. But margins at its theoretically more profitable speciality operations are being squeezed by high raw material costs. Disposals, debt reduction, and cost cutting will help this year, but yesterday's 5 per cent share price fall shows how far the company must go to convince investors.

Usinor Sacilor

It is tempting to see parallels between the privatisation of British Steel in 1988 and the proposed sale of Usinor Sacilor later this year. Like the UK company before it, Usinor will have a strong restructuring story to tell. It has already cut its workforce and taken giant strides to improve productivity. This is evident from the return to profits in 1994, even if the achievement is clouded somewhat at the pre-tax level by the inclusion of capital gains and other one-off profits. As with British Steel and the closure of Ravenscraig, Usinor will be shle to step up rationalisstion oncs it is freed from the shackles of state ownership.

Another parallel is not quite so encouraging: like British Steel before it, the French company will be sold off one year before the expected peak in the industry cycle. This may not have impeded the privatisation of British Steel, but investors now have another dire recession behind them. As a result, they are more alert to the pronounced cyclicality of the European steel industry. Share prices in European steel companies have fallen by up to 15 per cent from last year's peak, reflecting growing scepticism abont the durability of the current upturn.

That scepticism has been exacerbated by the failure to tackle structural overcapacity in Europe during the current cycle. The timing of the proposed issue is thus extremely sensitive: if share prices fall significantly further, it may prove impossible to get the privatisation sway at a price acceptable to the French government.

UK inflation

Though there is an outside chance that UK interest rates peaked last week, one or two further half-point rises seem likely. Yesterday's Bank of England inflation report suggests as much: three base rate rises since last September have rednced the chance of overshooting its end-1996 inflation forecast of 2.5 per cent; but it thinks the risks of overshooting are still greater than 50:50.

Nevertheless, market expectations of 8.4 per cent short-term rates by the end of the year – up from 6.75 per cent now – look sxcessive. Economic growth would have to accelerate over the next few months for such expectations to be fulfilled. The Bank may be premature in detecting an economic slowdown st the end of last year, but there are certainly no signs of acceleration. Moreover, the monetary tightening of recent months has not yet had time to restrain growth but should start to by mid-year; the next round of tax increases should begin to bite then, too.

This message has been partly, but only partly, absorbed by financial markets. Short-term rate expectations have fallen half a point over the past three months, while gilt yields have fallen a more modest 30 basis points. The government'e problems over Europe and Ireland are making investors twitchy – something that is buffeting sterling. Investors also cannot quite believe that inflation is being controlled. But if economic dats over coming months show the effects of monetary and fiscal restraint, markets will respond well.

Gilt repos

London's antiquated gilts market is fast approaching modernisation as the government prepares to create "open repo" facilities. Repos allow investors to lend stock to each other freely. Lenders make a small profit from doing so, while borrowers can use the facility to take short or leveraged positions. That should increase the sttraction of gilts, so reducing the government's borrowing costs.

Bnt there is s catch. To ensure active trading, the market needs a pool of gilts which pay interest gross since the majority of likely traders – overseas investors and pension funds – have no UK tax liability. The Inland Revenue would lose out primarily because of delayed receipt of tax. The net present value of such loss of cash flow would be around £250m. The general public would rightly question whether such use of public funds was justified. Even if the Treasury shaved 10 basis points off borrowing costs, this would save only around £20m per annum in coming years.

The government looks set to address this potential revenue loss by introducing quarterly tax accounts for gilts. This is an imperfect solution: not only would it create unnecessary sdministrative pain; it would not even recoup all the revenue loss. A better approach would be to pay interest gross on new issues but charge investors if they wish to convert existing gilts into gross-paying instrument. It is good for London to modernise its gilt market, but there is no reason why the general public should pay for it.

Additional Lex comment, Page 24

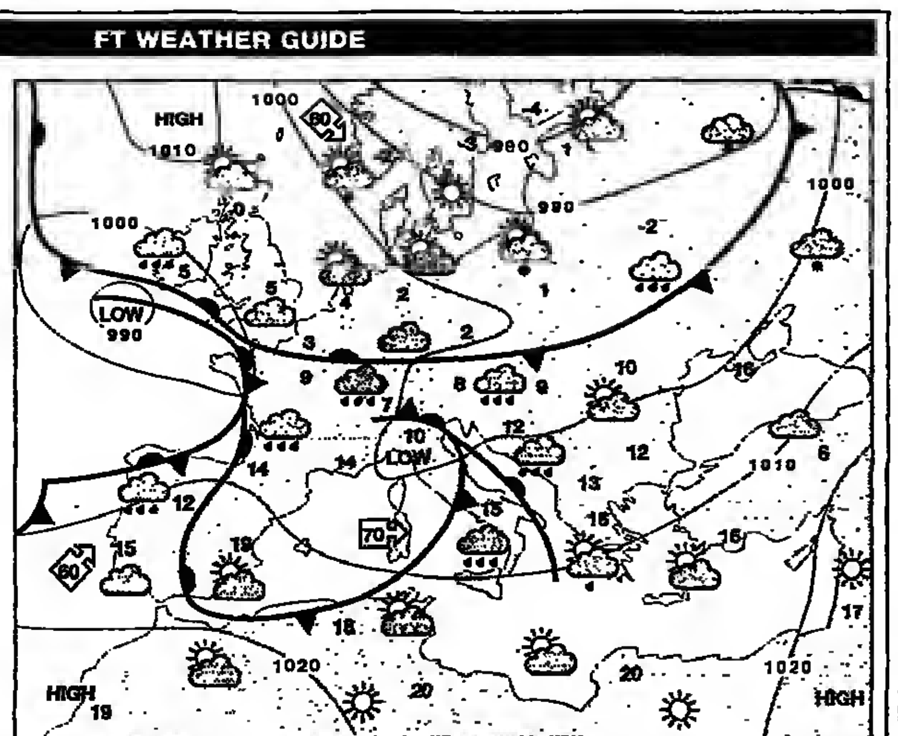
FT WEATHER GUIDE

Europe today

Heavy rain over northern France, southern Germany and the Czech Republic will slowly move south giving way to cooler air. Arctic air from Scotland to the Baltic will produce sunshine although wintry showers should develop over Denmark. An intense low pressure system will end the long drought in Spain and it will be accompanied by strong south-westerlies along the Portugese coast. Heavy rain is expected in Italy and the northern Balkans with temperatures between 9C-12C. Rain and snow showers in the eastern Mediterranean will give way to more settled conditions. North-east Europe and Scandinavia will continue frosty, with snow showers mainly along the Norwegian shore.

Five-day forecast

The British Isles, the Low Countries and Germany will be clear and wintry with more night-time frost but maximum temperatures above freezing. Scandinavia and north-east Europe will have moderate to strong frost. Spain will turn dry at the weekend. The eastern Mediterranean should become cool and unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	11	Caracas	fair	29	Faro	rain	17	Madrid	cloudy	12	Rangoon	sun	33
	Celsius		Belfast	cloudy	3	Cardiff	rain	5	Frankfurt	rain	6	Majorca	fair	17	Reykjavik	snow	-1
Abu Dhabi	fair	27	Belgrade	fair	15	Casablanca	fair	18	Geneva	rain	8	Malta	fair	17	Rio	cloudy	29
Accra	fair	32	Berlin	fair	2	Chicago	shower	1	Gibraltar	rain	17	Manchester	cloudy	4	Rome	cloudy	14
Algiers	fair	16	Bermuda	shower	16	Cologne	fair	3	Glasgow	cloudy	1	Manila	shower	30	S. Frsco	fair	16
Amsterdam	cloudy	4	Bogota	fair	23	Dakar	fair	29	Hamburg	cloudy	3	Melbourne	fair	22	Seoul	fair	5
Athens	cloudy	16	Bombay	sun	35	Dallas	sun	18	Helsinki	cloudy	-4	Mexico City	fair	24	Singapore	shower	29
Atlanta	fair	5	Brussels	cloudy	3	Delhi	sun	26	Hong Kong	cloudy	19	Miami	sun	20	Stockholm	fair	-3
B. Aires	sun	29	Budapest	cloudy	9	Dubai	fair	27	Honolulu	fair	27	Milan	fair	11	Strasbourg	rain	7
B.ham	cloudy	3	C.hagen	fair	2	Dublin	rain	5	Istanbul	cloudy	12	Montreal	snow	-4	Sydney	fair	25
Bangkok	fair	34	Cairo	sun	19	Dubrovnik	cloudy	13	Jakarta	rain	30	Moscow	snow	0	Tangier	shower	17
Barcelona	fair	15	Cape Town	sun	28	Edinburgh	cloudy	2	Jersey	shower	6	Munich	rain	5	Tel Aviv	fair	17
									Karachi	sun	30	Nairobi	fair	29	Tokyo	rain	9
									Kuwait	fair	18	Naples	shower	15	Toronto	snow	0
									L. Angeles	sun	18	Nassau	sun	23	Vancouver	fair	14
									Las Palmas	sun	22	New York	fair	2	Venice	shower	9
									Lima	fair	28	Nice	fair	14	Vienna	cloudy	8
									Lisbon	rain	15	Nicosia	cloudy	14	Warsaw	fair	1
									London	cloudy	5	Oslo	fair	-1	Washington	cloudy	-3
									Lux.bourg	rain	3	Paris	rain	8	Wellington	fair	19
									Lyon	rain	11	Perth	sun	39	Winnipeg	snow	-10
									Madeira	shower	21	Prague	cloudy	1	Zurich	rain	7

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday February 9 1995

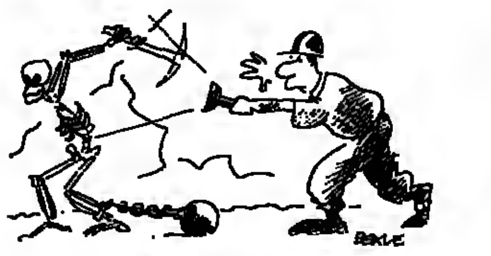
IN BRIEF

Saatchi tries to stamp out poaching

Saatchi & Saatchi, the advertising group, mounted a fresh legal challenge against Mr Maurice Saatchi, its former chairman, in an attempt to restrict the possibla poaching of business for his new agency.

The private medical insurance company Private Patients Plan is thought to be ready to provide Mr Saatchi's new agency with one of its first pieces of business as soon as the legal position allows. Page 24

Gold diggers



Little has been done to tap Brazil's gold reserves since Portuguese colonialists used slaves to mine the metal four centuries ago. That could change following a decision by Companhia Vale do Rio Doce, the government-controlled iron ore miner, to invite foreign companies to prospect its land holdings. Page 20

Norwegian banks reject state's demands
The bitter battle over 1994 dividend payments between the state and Norway's two largest commercial banks intensified when Den norske Bank rejected the state's demand for a pay-out ratio of 50 per cent of net profits and was backed by Christiania Bank. Page 20

SBC Comms withdraws from SPT running
SBC Communications, the Texas-based group, has withdrawn from an international tender for a stake in the Czech Republic's state-owned telephone company, SPT Telecom. Page 20

Rolex accused in UBS row
Union Bank of Switzerland has accused Rolex, the Geneva watchmaker, of being in a concert party with Mr Martin Ebner, the Zurich broker-fund manager, to contest the governance of the bank. Page 18

Adidas sees DM230m profit
Adidas, the German sports shoe and clothing company, expects a further steep rise in pre-tax profits this year to at least DM230m ($149m) from DM150m in 1994. Page 18

Usinor Sacilor in black ahead of sale
Usinor Sacilor, the French steel group being prepared for privatisation, announced it had returned to the black last year. Page 18

US rail merger cleared by shareholders
Burlington Northern and Santa Fe Pacific, two of the seven big US railroads, yesterday looked set to form the nation's largest railway company following shareholder approval of their plans for a $3.9bn merger. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko	670	+	15
CKAG Col Pr	755	+	20
Goldschmidt	822	+	17
Schering	1120	+	22
Falls			
Hertiz	260	–	5.5
Holzmann	785	–	12
NEW YORK ($)			
Rises			
Apple Comp	41⅞	+	1⅛
Brlngtn Nthn	52¼	+	1½
Intel	74¾	+	1¾
Microsoft	61¾	+	¾
Falls			
Alum Co Amer	78¾	–	1¾
Goodyear T&R	36¾	–	¾
LONDON (Pence)			
Rises			
Amstrad	141	+	6
Nthrn Indl	630	+	115
Schroders	1523	+	40
Falls			
Greenalls	414	–	15
JJJ	70	–	13
Waste Mngmt	323	–	22
TORONTO (C$)			
Rises			
Cdn Tire A	13⅜	+	⅜
Intl Verifact	7¼	+	1
Spectrum Sig	7⅞	+	⅞
Falls			
Franco Nevada	61	–	1¼
Softkey SW	36	–	1⅞
Trimac Ltd	10⅞	–	⅛

PARIS (FFr)			
Rises			
Accor	539	+	14
Worms Cie	249	+	8.1
Falls			
BNP	240.6	–	5.7
Damart	4957	–	103
Intrtechnique	671	–	15
Simco	428	–	18.6
TOKYO (Yen)			
Rises			
Ito Yokado	4740	+	180
Falls			
Asahi Chem	680	–	22
Cosmo Oil	881	–	29
Haseko	561	–	29
Ind Bk Japan	3450	–	170
Kokuyo	2310	–	110
HONG KONG (HK$)			
Rises			
Orient Tlcom	2.78	+	0.23
Tak Sing Alli	2.85	+	0.25
Tsingtao Brw	4.0	+	0.30
Falls			
Guoco Grp	30.0	–	1.2
Ocean Lnd Dv	7.0	–	0.6
Thai Asia Fd	8.85	–	0.4
BANGKOK (Baht)			
Rises			
Thai Pres	249	+	22
Thai Reins	89.5	+	8
Saha Pat	61.5	+	5.5
Falls			
Rueng Khao	7.1	–	0.7
Siang Duang	0.7	–	0.5
Sub Sri Thai	48	–	3

New York and Toronto prices at 12.30pm.

Rhône-Poulenc doubles net profit to $362m

By John Ridding in Paris

Rhône-Poulenc, the French chemicals and pharmaceuticals group, yesterday announced a doubling in net profit to FFr1.92bn ($362m) last year, but investors were unimpressed sending shares down by 5 per cent.

Mr Jean-René Fourtou, chairman, said that the rise in profits reflected improved market conditions, exceptional gains from disposals and the benefits of restructuring measures. He predicted a further significant increase in results this year as productivity measures make a bigger impact. Reflecting its forecasts, the company said it would raise the gross dividend from FFr3.60 to FFr4.20.

Investors, however, reacted with disappointment, pushing shares down by FFr6.7 to FFr129.5, below the FFr135 per share at which the company was privatised in November 1993. Many had expected net profits in excess of FFr2bn, while some industry analysts said that cost-cutting was not feeding through quickly enough to the bottom line.

Mr Aymeric de Villaret, analyst at Société Générale in Paris, said that profits were lower than forecast mainly due to a disappointing performance from the company's agrochemicals division. Operating profits in the sector rose from FFr512m to FFr717m, reflecting provisions of FFr235m.

Overall operating profits showed a healthy increase, rising by 17.3 per cent to FFr6.94bn. The growth reflected a sharp rise from the chemicals and fibres and polymers divisions.

The healthcare division, the largest contributor to the group, suffered a fall in operating income, from FFr5.69bn to FFr5.37bn. The decline reflected exceptional charges at Rhone Poulenc Rorer, its US pharmaceuticals arm. Excluding charges, the healthcare division's operating income rose 5.4 per cent with a strong performance by the human vaccine and animal health businesses.

Mr Fourtou described the result as "honourable, but still below the level of the best players in the sector". The company forecast improvement this year, with recovery in sales and profits already evident at RPR.

Group sales last year rose by 7.1 per cent to FFr86.3bn. The increase largely reflected an improvement in volumes, which rose in sll of the company's divisions. Drugs prices in several markets were depressed by government healthcare reforms, but prices for chemicals and fibres showed some recovery, particularly in the second half.

The company is to pursue its restructuring strategy which has seen a series of asset disposals. These have included the sale of the company's North American over-the-counter drugs businesses and its European acetics operations. The majority of the proceeds from disposals came too late to be included in last year's accounts.

Lex, Page 16; Background, Page 18

As two London high flyers find a new roost, where might one big name come to rest?

The right offer cuts the ties of loyalty

Mr Maurice Thompson, who resigned this week as co-head of S.G. Warburg's equity capital markets, is not a typical defector. He was marked for higher things. He was committed too, more than many of his colleagues, to Warburg's effort to become a global investment bank able to compete with US houses. "He is very much the company man," says a client.

So loyal was Mr Thompson that he had never moved since joining Warburg as a graduate trainee in 1981. "This is not a person who has been job-hopping for the last 15 years," says a friendly competitor. His background makes departure to Morgan Grenfell, the investment banking subsidiary of Deutsche Bank, all the more surprising, even for those who know him well. Friends say it has been an emotional wrench.

One theory vantured has involved remuneration, a rumoured $10m a year offered to Mr Thompson and Mr Michael Cohrs, his fellow co-head of the Warburg operation. But that prompted Mr Thompson's only comment since leaving: "I'm not doing it for the money."

It is understood that his compensation does not depart dramatically from the $1m-$2m norm for senior equity capital markets specialists. Executives at other firms note that Mr Thompson could have moved at any time over the last five years if pay had been the motivation.

Top drawer

Name: Maurice Thompson
Age: 36
Education: First in history and modern languages from Brasenose College, Oxford University
Last job: Co-head of equity capital markets at S.G. Warburg
Years at last employer: 14
Personal qualities: tall, diplomatic, unflappable

Name: Michael Cohrs
Age: 38
Education: MBA from Harvard
Last job: Co-head of equity capital markets at S.G. Warburg
Years at last employer: 4
Personal qualities: short American streetfighter

The other explanation is that Mr Thompson desired a broader canvas on which to work. He had been disappointed at Warburg's inability to win a role as global co-ordinator on the privatisation issue by Deutsche Telekom.

Merger with Morgan Stanley would have given Warburg the clout to win equity issues as large as Telekom's and a prominent role to Mr Thompson in the combined bank. He was enthusiastic about the link and spproached Morgan Grenfell only after the collapse of those talks.

Mr Thompson and Mr Cohrs will become the first co-heads of primary equity syndication of the new joint investment bank being created by Morgan Grenfell and Deutsche Bank. They will also help to shape its broking and corporate finance operations.

Most importantly, they will be part of an investment bank that is growing and taking on staff at a time when Warburg has just laid off 180 people and largely pulled out of international bonds.

The defections, as well as indicating the state of health of Warburg and Morgan Grenfell, have a material effect on their capabilities. Equity capital markets departments handle equity issues put together by building books of indicated bids rather than by the rights issues traditionally made by UK companies. They have become increasingly important in international and privatisation equity issues. It is a relatively new business in the City of London, with Mr Thompson and Mr Cohrs among only a handful of experienced practitioners. "Those two individuals took Warburg to the forefront of the international capital markets," says Mr Ian Hannan, a director of Robert Fleming, the merchant bank.

Clients describe Mr Thompson as thoughtful and innovative, "alongside the best" in his area. He was a consummate professional who relished the computer systems and the colour graphics they produced of the state of bidding in the bookbuilding process.

Competitors say Mr Thompson has a "big fan" in Mr Steve Robson, the key Treasury civil servant with whom he worked on the second and third British Telecom share issues.

Warburg concedes the two men were ones it did not wish to lose. Indeed the firm tried to outdo Morgan Grenfell's terms.

Warburg maintains it has strength in depth in the 30-strong equity capital markets team and doubts the defectors' ability to lure either staff or clients with them. But having promised to announce a replacement yesterday, it said instead executives of the equity capital market group would report to Mr David Hobley, co-head of corporate finance.

Warburg has to contend, moreover, with the cohesiveness of the team. Mr Thompson and Mr Cohrs, even if they have grown together, are diametric opposites in many respects: one British, the other American; one tall, the other short; and one unflappable while the other is known as a "streetfighter". They are nevertheless friends as well as colleagues. Before the latest events they had planned on taking a fishing trip to Russia together.

Other employees are also close to the two co-heads and Morgan Grenfell has not ruled out taking on other Warburg employees to staff up its operations. "To an outsider, the loyalty of their team, in this mercenary world, was unusual," says Mr Hannan.

For the moment Morgan Grenfell has taken a necessary if not a sufficient step towards an equity capital markets operation. It has leaders without staff. Meanwhile, Warburg has staff without established leaders. Each prays it has the more potent combination.

Nicholas Denton

Goodyear at record but margins squeezed

By Richard Waters in New York

Goodyear, the world's biggest tyre maker, yesterday reported record profits on a 5.5 per cent increase in sales last year, although higher raw material and labour costs began to eat into its profit margins.

The company, which was plunged into a financial crisis in 1990 by weak sales and the high level of debt it had taken on to fight off a bid by Sir James Goldsmith, said after-tax profits last year were $567m, or $3.75 a share. After one-off accounting and charges, 1993 net income was $388m, or $2.64 a share.

Like many other US manufacturers, the tyre company found it difficult last year to recoup the full effects of soaring commodity costs through higher prices. Also, a new three-year contract agreed with the United Rubber Workers union pushed up its labour costs later in the year.

The result was an end to the steady improvement in profit margins seen since 1990. Its gross margin (cost of goods sold as a percentage of sales) fell from 25.2 per cent to 24.6 per cent, due to the higher costs and greater price competition. Lower administrative costs, though, enabled Goodyear to sustain its overall operating position.

For the final three months, Goodyear reported net income of $137m, or 90 cents a share, on sales of $3.2bn, compared with $113m, or 76 cents a share, on sales of $2.9bn the year before.

Sales reached $12.3bn last year, with the fastest growth coming outside the US and Europe. Competitive pressures were greatest in the US and Europe, which experienced declines in operating profits of 8 per cent and 17 per cent respectively in the last three months.

Typecast or ready to take a new role?

Name: Mick Newmarch
Age: 56
Education: Tottenham County Grammar School; London University
Last job: Prudential chief executive
Years at last employer: 40
Last salary: £834,068
Personal qualities: Forceful; blunt; plain-speaking; good strategic judgment

The first external candidates – two students from Dundee University – have already applied to be chief executive of Prudential, the UK's largest life insurer, but there has been no word on what the previous incumbent plans to do next.

Mr Mick Newmarch resigned suddenly last month, citing an "unacceptabla" relationship between the Pru and personal financial services regulators.

Some who know him believe that at 56 and after a 40-year career spent entirely within one company he would be satisfied to retire and pursue his deep interest in fishing: others believe he would relish a fresh challenge.

He does not need to do it for the money: last year he was paid more than £800,000 ($1.25m), and his pay-out will be handsoma even though it is likely to fall short of the maximum £2.5m because he voluntarily decided to go.

At a time when aoma UK senior executives are justifying their controversially high salaries and bonus payments by arguing that their skills are readily transferable overseas, the prospect of finding a new job for Mr Newmarch may give an indication of whether there really is an international market.

Aspects of Mr Newmarch's career open up different opportunities – he has long experience of investment management, and as the Pru's chief executive since 1990 had to make important strategic judgments. But his experience has also closed down a prospect which in some ways might have been ideal for someone with his knowledge: becoming a director of the Personal Investment Authority, tha financial watchdog which he vigorously resisted when it was set up last year.

If Mr Newmarch were looking for a change of environment, one possibility might be to take charge of a government executive agency – although not all those who have moved from the private sector into the civil service have found their experience equips them for avoiding the pitfalls of Wastminster and Whitehall. Some British executive headhunters believe he may lack tha patience and temperament to take charge of a government agency where the pace of change might be slow. Others believe the job itself would be too unappealing. "I think he could definitely do it – he's a mover and shaker. Would be want to do it? I doubt it," said one.

In considering jobs he might want to do – and might be suitable for – the headhunters were clear that this depended on his being fully cleared hy the Stock Exchange inquiry into his dealings in Prudential shares last October. The inquiry was referred to in the resignation statement, alongside the statement from the board asserting their belief that both he and they had acted properly.

Even if he is fully and publicly exonerated, some headhunters believe it may still have cast a shadow. "The problem he has is the question mark over the real reason why he went," one said. "The question over the share dealing makes it difficult for him to be employed full time in the UK." Another said: "However unfair the situation is, an executive role would be pushing it".

Whatever doubts some may have about Mr Newmarch in an executive role again, there was unanimity about his value as a non-executive director of a large UK company. "There's always room for strong characters on the board," one search firm said, "though you probably wouldn't want him as chairman. The difficulty might be keeping him non-executiva". According to Mr Christopher Leslie, a director of Whitehead Mann: "He would be an attractive candidate for chairing a plc outside the financial services sector, especially if City contacts ware important, for exampla if a company were restructuring or there were some difficult decisions to be taken."

Although the Pru has a US subsidiary – Jackson National Life – and some fast-growing though still small operations in Asia-Pacific, the executive searchers were less encouraging about an international market for senior figures in the UK financial services sector, such as Mr Nawmarch. "I think there could be some international opportunities," said Mr Leslie. "But if he went over to the US, you would lose some of the reason for taking him on, because his profile would not be the same."

"The US would be difficult – there's such a large pool of people to choose from, but I would have thought he could certainly do something in Asia or Australia," commented another headhunter. Yet another said simply: "He's too UK-orientated."

Within the Pru, there has been speculation that Mr Newmarch might return to investment management, where he spent much of his career.

Mr Robert Flohr of Korn Ferry, the executive search company, can see Mr Newmarch's having a role in building or creating a global fund management business, perhaps one with a substantial presence in Asia and is committed to it. "That sort of business would be big enough and complax enough to take advantage of his leadership skills and intelligence," he said.

An alternative would be to set up an investment management consultancy. But the transition from heading a big company to being at the beck and call of clients while working with far fewer resources might be too stark. At an age when aarly retirement is a common option, Mr Newmarch could always decide that the best way to combine his interests is to write a financial column for the monthly magazine Salmon & Trout.

Alison Smith

INTERNATIONAL COMPANIES AND FINANCE

Usinor Sacilor in black as sell-off approaches

By John Ridding in Paris

Usinor Sacilor, the French steel group being prepared for privatisation, yesterday announced it had returned to the black last year. Net profit was FFr1.5bn ($282.2m), compared with a loss of FFr5.7bn in 1993.

Mr Francis Mer, chairman, said the recovery reflected the impact of restructuring at the steelmaker, the largest in Europe, and the turnround in the international steel market. He forecast further gains this year, with improved productivity and a reduced debt hurden.

Mr Mer gave an upbeat description of prospects for the steel sector. He said restructuring and the absence of special factors such as the reunification of Germany and the influx of steel products from eastern Europe would ensure that the sharp deterioration of 1992-93 would not be repeated.

He discounted the need for further capacity cuts at present because of the recovery in demand. "The industry has done its duty," he said.

Mr Mer said privatisation would not alter the management of the group, nor would it change its strategy of focusing exclusively on steel. Privatisation would, however, give the group access to increased financial resources and would be accompanied by a recapitalisation.

The group's balance sheet has already been strengthened by a programme of debt reduction and asset sales. Net debts fell to FFr17bn by the end of 1994, compared with FFr24.4bn at the end of 1993. Gearing, which was as high as 120 per cent two years ago, has been brought down to almost half that level.

Among the disposals was a stake in Ugine, the company's stainless steel division. The flotation delivered a capital gain of FFr900m, one of the main elements in total exceptional items of about FFr2bn.

While exceptional gains helped lift the company into profit, Mr Mer stressed the impact of cost-cutting and productivity measures which improved net results by about FFr1.7bn.

Profits in the second six months were more than double the first half's FFr471m.

Adidas sees DM230m profit

By Andrew Fisher in Frankfurt

Adidas, the German sports shoe and clothing company, expects a further steep rise in pre-tax profits this year to at least DM230m ($149m) from DM150m in 1994, Mr Robert Louis-Dreyfus, chairman, said yesterday.

He said further sales growth in Europe and the US, bringing turnover up by about 10 per cent from last year's DM3.2bn, should enable Adidas to achieve a pre-tax profit of between DM230m and DM300m. This would bring it closer to a 10 per cent pre-tax return on sales, a pre-condition for a possible share flotation in the US and Germany. In 1993, the pre-tax profit was DM34m.

Mr Louis-Dreyfus, who heads a group of international investors which control Adidas, said it had not yet been decided whether a flotation would take place in just the US or also in Germany. One concern about selling shares in Germany was the lack of interest in equities among private investors.

"We would love to have not just the big institutions holding our shares, but also small investors," Adidas is considering a public offering of between 20 and 30 per cent of its shares next year.

He said the company should raise US sales in 1995 to between $550m and $600m (nearly 10 per cent of the market) from last year's $430m. The 1994 figure was helped by new designs and the soccer World Cup.

The company expects net profits for 1994 to be about DM120m against DM9m in 1993. Including licensee sales, turnover was 21 per cent higher at DM4.45bn last year.

Rautaruukki recovers to FM658m

By Christopher Brown-Humes in Stockholm

Profits at Rautaruukki, the Finnish steel group, climbed to FM658m ($138.9m) in 1994 from FM78m a year earlier, after a surge in European demand and higher prices.

The recovery at the Nordic region's second largest steel producer was aided by a greater emphasis on value-added products and a sharp reduction in financial costs.

It enabled the group to propose a FM1-a-share dividend, its first payout for four years.

Turnover at the group was up 9 per cent at FM7.6bn, in spite of a stronger markka. Operating profits jumped 38 per cent to FM1.05bn.

Deliveries rose only 2 per cent, partly because of capacity constraints, but average prices were 7 per cent higher due to revival in the group's main Scandinavian and west European markets.

A blemish on the performance was the FM90m loss blamed on Transtech, a rolling stock unit within the group's engineering division. Transtech's future, following four consecutive years of loss, is being re-evaluated.

Rautaruukki expects profits to climb further in 1995, on higher turnover of FM8.5bn. Prices for flat products should increase both in Finland and in export markets, but the upward trend for tubes would be less uniform, it said.

Rautaruukki raised FM792m last year from a global share offering which cut state ownership from 81.1 per cent to 68.7 per cent. Parliament has approved an eventual cut in state ownership to 33.4 per cent.

Rolex accused as UBS voting row widens

By Ian Rodger in Zurich

Union Bank of Switzerland has accused Rolex, the Geneva watchmaker, of being in a concert party with Mr Martin Ebner, the Zurich broker-fund manager, to contest the governance of the bank.

If the charge can be proven, then Rolex should not have voted its 1.1m UBS registered shares at the bank's shareholders' meeting in November.

UBS's charge came after news that a Zurich court had barred the bank from implementing its plan to unify its share structure, at least until the court rules on a legal challenge against it.

The decision was based mainly on the five judges' view that some shares may have been voted illegally in favour of the board's plan.

It extends a temporary injunction obtained by BK Vision after the plan was narrowly approved at the November shareholders' meeting.

It ensures that, barring a negotiated settlement, the bitter battle between the directors of UBS and BK Vision will remain in stalemate for several months.

The Zurich commercial court also ordered BK Vision, an investment fund controlled by Mr Ebner's BZ banking group, to deposit SFr10m ($7.7m) to cover possible damages to UBS resulting from delays in implementing the share unification plan. UBS had asked for SFr150m.

The judges said UBS erred in voting the 150,000 shares held by mutual funds managed by a wholly-owned subsidiary.

They also said the 1.45m registered shares purchased by UBS in a forward transaction in October should not have been voted, even though delivery of the shares was not due until next June.

UBS said yesterday it would produce evidence that Rolex was working with Mr Ebner's group, and so it was improper for both to vote their UBS registered shares at the meeting. Under the bank's bylaws, no registered shareholder may vote more than 5 per cent of the shares issued.

Looking for a chemical balance

Rhône-Poulenc is healthier, but still in recovery, writes John Ridding

A century after its foundation by a Lyon chemist, Rhône-Poulenc is proving to be a volatile compound.

An ambitious programme of asset sales, which has accelerated over recent months, has combined with acquisitions and alliances to change the shape of the French pharmaceuticals and chemicals group.

Add to this measures to improve productivity and cut costs, and the result is what Mr Jean-René Fourtou, chairman, describes as a "profound transformation in the company's structures".

Yesterday, the Rhône-Poulenc chief was able to point to another transformation – the bottom line. Last February, Mr Fourtou was announcing a 36 per cent decline in net profits for 1993 and forecasting a "period of difficulty longer than many expect". This time, he unveiled a doubling of net income to FFr1.9bn ($357.5m) in 1994, and forecast continued improvement.

The results, however, left something to be desired. Mr Fourtou himself said profitability was not yet at a sufficient level, claiming that further improvement was possible and necessary. Investors went further, pushing shares down FFr6.7 to FFr129.5, below the FFr135 a share at which the company was privatised in November 1993.

Such a reaction partly reflects the composition of growth. Profits were boosted by exceptional gains and a FFr800m reduction in tax liability. "A lot of the improvement came from special factors. The underlying improvement was much less impressive than the headline figure," said one chemicals analyst at a French merchant bank. Mr Fourtou, however, stressed the benefits of restructuring at the company's fibres, chemicals and agrochemicals businesses.

"For the group as a whole, the main improvement at the operating level came from these areas," he said. "Prices have remained weak, but improvement has come from better volumes and from our efforts in productivity and in re-engineering the group."

The re-engineering stretched from the formation of alliances with Fiat of Italy in its fibres businesses to the closure of marginal plants and asset sales. In the final month of 1994 alone, Acetex of Canada bought Rhône-Poulenc's European acetics business, Arco of the US took the polystyrene activities, and Ciba of Switzerland agreed to pay FFr2.1bn for the group's over-the-counter operations in North America.

Some of these deals came too late to be incorporated into 1994's figures and will be taken in the 1995 accounts.

They will not be alone. Mr Fourtou, who last August forecast asset sales of between $1bn and $1.5bn by the end of 1995, says the programme is continuing apace. "I consider that we still have one year of significant reorganisation," he says. The latest step came last month with the announcement that the French group was selling its 43 per cent stake in Lipha laboratories to Merck of Germany.

Behind such activity lies a strategy of focusing on higher value-added activities, shifting from bulk to speciality chemicals, and withdrawing from markets where the resources required for market leadership are too great.

Industry observers support the strategy. "There is little doubt the tighter focus on higher-margin products is the way to go," says the analyst. However, like several of his colleagues, he sees weak points, namely the lack of blockbuster products and the level of debt, which remained stuck last year at FFr24bn.

On the first count, 1994 brought disappointment when the US regulatory authorities demanded further information before approving Taxotere, the anti-cancer drug developed by Rhone Poulenc Rorer, the US pharmaceuticals subsidiary.

Mr Fourtou, however, remains optimistic, citing a range of products, from Zagam, the antibiotic, to the Menorest hormone therapy, which have either received or are awaiting approval in important markets. Officials point out that RPR now has nine products with annual sales of more than $100m, against five in 1991.

On the debt question, Mr Fourtou agrees with the analysts. He describes the reduction of gearing, currently at about 48 per cent, as a priority and argues that this is one of the motives for the policy of disposals and restructuring.

Rhône-Poulenc's debt burden has not prevented acquisitions. For instance, last year's purchase of Cooper, the French pharmaceuticals group, was a significant deal, costing almost FFr3bn in cash and shares.

The balance sheet, however, has certainly imposed constraints. A large, unspecified, deal fell through last year, partly because of financial limitations. "We have to be more imaginative in doing deals," says Mr Fourtou. "We are always open to ideas, but we don't have large amounts of money."

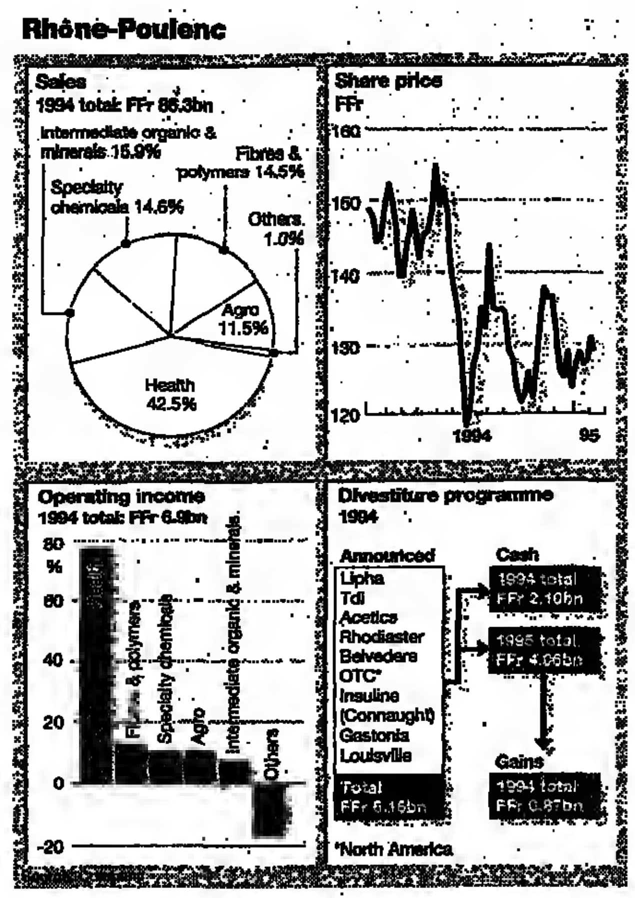
At a time of rapid consolidation in the industry, this means Rhône-Poulenc finds itself removed from the ranks of the big predators. Mr Fourtou appears unconcerned.

"A lot of the bids today are very expensive," he says. "Relatively, we paid less for our strategic acquisitions," he adds, citing the 1990 Rorer deal. "That gave us a worldwide presence. So, today acquisitions are not so vital for us."

He believes there is strong potential for growth from within the group. "We have made a lot of progress, but the results are still below what we think we can achieve," he says. And he is confident RPR will bounce back from a fall in profits last year, a view supported by improved figures in the final quarter of 1994.

But with the trend towards the survival of the biggest, might Rhône-Poulenc become the target of unwelcome attention?

"There are others that are more vulnerable than us," says Mr Fourtou. He accepts RPR might be attractive, but argues that the size of the group makes it hard to digest. "They would have to swallow us first – that is not so easy."



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for trading on 09.02.95: Pool purchase price £/MWh	Final Prices for Trading on 12.01.95: Pool purchase price £/MWh	Final Prices for Trading on 12.01.95: Pool selling price £/MWh
0030	8.70	24.49	27.92
0100	8.75	24.60	28.03
0130	8.90	33.11	38.55
0200	8.80	33.11	36.65
0230	8.77	24.60	28.03
0300	8.76	24.60	28.03
0330	8.76	24.60	28.03
0400	8.74	24.60	28.03
0430	8.70	23.95	27.38
0500	8.70	23.95	27.38
0530	8.75	23.88	27.29
0600	8.75	10.08	10.08
0630	8.95	10.08	10.08
0700	9.63	37.32	41.03
0730	10.22	38.92	44.22
0800	13.81	65.76	73.69
0830	12.19	105.39	114.86
0900	16.85	111.02	121.78
0930	17.77	67.48	77.88
1000	21.42	65.86	76.25
1030	20.86	62.97	72.82
1100	16.89	61.52	71.07
1130	16.71	63.57	73.61
1200	13.21	66.54	77.24
1230	15.01	67.31	77.63
1300	12.62	71.31	80.41
1330	12.17	62.71	69.93
1400	11.94	43.10	40.14
1430	11.82	40.62	46.03
1500	16.78	38.77	44.95
1530	8.37	19.85	19.85
1600	9.66	49.07	49.07
1630	18.11	228.50	276.85
1700	37.75	484.26	670.90
1730	76.11	587.86	670.67
1800	114.07	492.97	563.93
1830	110.69	263.60	305.33
1900	79.53	144.71	167.95
1930	38.75	80.75	93.29
2000	26.12	47.55	53.86
2030	12.83	38.45	43.78
2100	13.80	37.11	40.91
2130	10.23	33.24	36.78
2200	9.06	31.68	35.13
2230	9.06	31.06	34.49
2300	8.80	31.63	35.06
2330	8.75	23.86	27.29
2400	8.74	23.86	27.29

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0116 [illegible] between 8.30am and 5.15pm Monday to Friday.
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SBC Comms withdraws from SPT running

By Vincent Boland in Prague

SBC Communications, the Texas-based group, has withdrawn from an international tender for a stake in the Czech Republic's state-owned telephone company, SPT Telecom.

SBC had heen close to an agreement with TeleDanmark on forming a consortium to make a joint bid for the stake. The companies were understood to have reached substantial agreemant on forming a consortium, with SBC taking a 51 per cent equity stake in the joint venture.

SBC said its decision to withdraw was made for internal reasons.

"The privatisation of SPT is not one that fits in with our current objectives," said Mr Tom Nanney, who had led an SBC team that explored investing in the company.

Tha financial crisis in Mexico, where SBC has a stake in Teléfonos de México, also lay behind the withdrawal. "There were many factors, and Mexico was one of them," Mr Nanney said.

TeleDanmark said it would now pursue the bidding process alone. Mr Richard Spandler, head of central and east European operations for the Danish group, said: "Our intention is to bid alone and continue alone. If things develop in another direction we will review the situation."

Preliminary bids for the 27 per cent stake in SPT, which could fetch up to $1bn, are dne to be submitted to the economy ministry and J.P. Morgan, its adviser, by February 24.

TeleDanmark will face stiff competition in the tender from several powerful alliances of US and European operators, including one formed by Bell Atlantic and France Télécom and another that groups Deutsche Telekom and Ameritech.

Its preliminary bid is expected to emphasise a relationship it has established with British Telecommunications, though it is understood BT will not be an equity partner.

TeleDanmark on its own may be considered too small to meet the tough conditions the Czech government is demanding of SPT's new investor, including big commitments of personnel and new technology.

The company is financially strong, howevar. The Danish government sold a 49 per cent stake to private investors last year and the group has up to $2bn for investment and acquisitions.

SBC's withdrawal laaves nine groups in the race. The field includes the two consortiums, and there is speculation that PTT Telecom Netherlands, AT&T and Swiss Telecom will form another alliance.

Stet International of Italy is pursuing the tender alone.

IM Skaugen trims losses as freight rates improve

By Karen Fossli

I. M. Skaugen, the Norwegian gas and chemicals carrier, yesterday announced a big cut in 1994 pre-tax losses to NKr36m ($5.36m) from NKr228m in 1993. Tha group was helped by a marked improvemant in freight rates.

Average freight rates for its gas carrier fleet have risen sharply since mid-1993, by 135 per cent to around $336,000 a month on a time-charter basis. The increase has continued.

Freight income in 1994 rose to NKr271m from NKr202m and operating losses dropped to NKr12m from NKr146m.

Yesterday the shipowner completed a share issue to raise NKr202m and repurchased $8m worth of variable rate notes through the issue of shares raising NKr62m.

In the past three years I. M. Skaugen has undergone financial restructuring and with yesterday's completion of share issues, has strengthened its share capital to NKr804.5m.

Moody's warns of Thailand bubble

By Peter Montagnon, Asia Editor

Thailand's banks face the risk of a property and stock market bubble leading to a fall in the value of assets against which their loans are secured, according to Moody's Investors Service, the US credit rating agency.

Banks have continued to anjoy high interest margins and strong profitability in spite of financial market deregulation, but are vulnerahle to developments in the tourism and laisure sector, Moody's said in a sector stndy*.

Thailand has more than 350 golf courses and the Bank of Thailand is discouraging lending against new ones, while the availability of premium office space in Bangkok is 50 per cent higher than in 1992. Vacancy rates are running at nearly 20 per cent and rents are nearly a qnarter below their 1992 peak.

But bank lending has continued to grow, with an increase of some 24 per cent during the year to last September. Even at the largest banks – Bangkok Bank, Thai Farmer's and Siam Commercial – where loan growth was slower, it was still above 12 per cent.

Moody's is concerned at such a rapid rise in lending against a backdrop of tight money market liquidity.

All the banks are running loan-to-deposit ratios of around 100 per cent, it said. The thinness of the baht money market had forced banks to raise funds in foreign currency bnt exposure does not appear to be fully hedged.

Moody's said it was not considering downgrading credit ratings of Thai banks. With the exception of KrungThai, large banks boasted capital ratios comfortably within the 8 per cent Bank for International Settlements guideline.

By the middle of last year most had created reserves equal to the size of their doubtful loans.

*Critical issues and Outlook for the Thai banking system, Moody's Investors Service, 51 Eastcheap, London EC3M 1LB.

Clash intensifies over Norwegian bank payouts

By Karen Fossli in Oslo

The bitter battle over 1994 dividend payments between tha Norwegian government and the country's two largest commarcial banks, in which the state holds controlling stakes, intensified yesterday.

Den norske Bank publicly rejected tba government's demand for a pay-out ratio of 50 per cent of net profits, and was backed by Christiania Bank.

Ms Ellen Moe, chairman of the state-backed Bank Investment Fund, which administers the state'a bank shareholdings, responded to the banks' move by threatening to throw out their decision-making bodies if the government's dividend expectations were not met.

Mr Finn Hvistendahl, managing director of DnB, said in an open letter the bank would not comply with the dividend demands of the government, its biggest shareholder.

DnB and Christiania were among several banks rescued from collapse by state cash injections of more than NKr25bn ($3.72bn) during the country's worst post-war banking crisis which began in 1991.

The government built a 72 per cent stake in DnB, 69 per cent in Christiania and fully owns Fokus Bank. The banks returned to profit last year and are set to pay their first dividends since 1989.

The clash also centres on the governmant's intention to retain a controlling stake in the banks on a permanent basis.

Ms Moe's threat explicitly tests the anthority of the banks' boards in a dispute which will intensify when both banks publish results for 1994. They will then propose dividend payments which defy the state's demands.

But Mr Ole Lund, chairman of DnB, is due to retire in June and board terms expire in the autumn for Mr Per Ditlev Simonsen and Mr Torstein Bergam, respectively the chairman and deputy chairman of Christiania Bank.

The government earlier said it would not seek operational control over the banks.

But it has angered them with the dividend demand and its intention to retain the controlling shareholdings indefinitely, in a pronounced revision of stated policy. The government had intended to reduce state bank shareholdings to 50 per cent by 1997 and to 33.5 per cent thereafter, but it recently proposed reorganising tbe Bank Investment Fund to administer the interests on a more permanent basis.

Mr Borger Lenth, head of Christiania, said he fully agreed with Mr Hvistendahl'a stance on the dividend payment for 1994.

DnB will publish 1994 results on February 14, followed by Christiania on February 22.

● Fokus Bank, Norway's third largest commercial bank, yesterday reported a decline in 1994 pre-tax profits to NKr217.1m from NKr251.1m a year earlier.

The weaker result was partly due to a fall in net interest income to NKr923m from NKr1.1bn. The bank hlamed a reduction of the balance sheet, sharp competition and a reversal in securities trading, whicb plunged into a loss of NKr23.1m from a gain of NKr131.5m in 1993.

Operating costs were reduced by 16.7 per cent to NKr867.2m as losses on loans and guarantees dropped to NKr101.5m from NKr385.4m. Write-downs on fixed assets rose to NKr77m from NKr19.5m.

Outsiders join the search for Brazilian gold

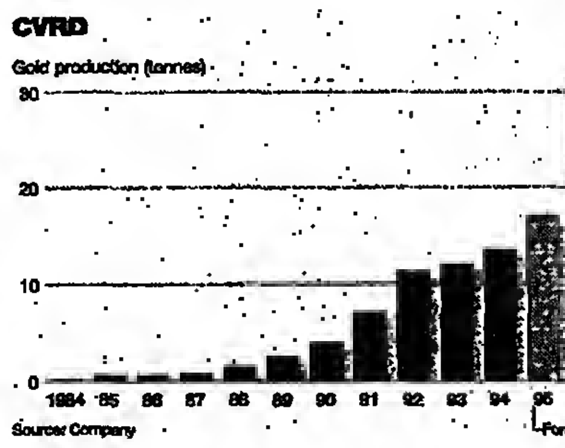
The state needs foreign expertise to tap potential reserves, writes Patrick McCurry

Little has been done to tap Brazil's potentially buge gold reserves since Portuguese colonialists used slaves to mine the metal four centuries ago. But that could change following a decision by Companhia Vala do Rio Doce (CVRD), the government-controlled iron ore miner, to invite foreign companies to prospect its land holdings.

It is CVRD's first significant attempt to share mineral exploration, which it has traditionally carried out through its subsidiary Docegeo. The attraction is that CVRD, which was formed in 1942, has accumulated exploration rights to large areas of Brazil's potential gold reserves.

"CVRD has the best land rights in Brazil but it would probably take 20 years for it to explore that area on its own, so it makes sense to look for partners," says Mr Juarez Fontana dos Santos, a São Paulo-based mining consultant.

But some mining specialists are guarded about the initiative, partly over uncertainties about the gold potential of land CVRD will offer for exploration. "The natural priority for any mining company is to hold on to land with good ore potential rather than share it with someone else," says a director at a Brazil-based foreign mining company.



Source: Company

Mr Hélcio Roberto Guerra, head of CVRD's precious metals department, says invitations for geological exploration will be sent this month to several foreign mining corporations. If significant deposits are discovered, a mining joint venture between CVRD and the prospecting company would be created.

Mr Guerra says companies likely to be contacted include Canada's Placer Dome and Barrick Gold, Sante Fa Pacific Gold Corp, Newmont and Battle Mountain of the US, as well as South Africa's Anglo-American Corporation, with which CVRD has a joint venture to prodoce copper, silver and gold at an open pit mine in the Amazon.

CVRD's gold mining is largely restricted to open pit mines dating from Brazil's colonial era. Gold exploration, which began to be developed in the 1970s, slowed during the 1980s because of Brazil's economic problems and then fell sharply when the 1988 constitution prohibited foreign-controlled mining companies from mineral production.

Most open site mines have been exploited and new deposits are expected to be mostly underground, in areas such as tha Amazon state of Pará and the soutb eastern state of Minas Gerais. The bigher exploration costs and, according to some analysts, CVRD's lack of technology for exploiting underground gold seams, have triggered the initiative.

The move is seen as a step towards the company's privatisation, whicb is expected under Brazil's new president Mr Fernando Henriqne Cardoso. It also continues CVRD's policy of establishing joint ventures with foreign companies in areas outside its core iron ore business, such as copper, aluminium and pulp.

Since launching into gold mining a decade ago the company has become Latin America's biggest single producer, although it is small by world standards. It mined 13.5 tonnes in 1994, compared with just 154kg in 1984, and expects to produce 17 tonnes this year and 31 tonnes by the end of the decade. Refining is contracted out and the gold is mainly sold to financial institutions.

Wildcat miners, who pan for gold in Amazon rivers, produced about 30 tonnes in 1993, according to the government. However, such production, which is often illegal, is diminishing as alluvial deposits are exhausted.

According to government studies in the early 1980s Brazil's total gold reserves could be 30,000 tonnes, although this figure is regarded as optimistic by CVRD's Mr Guerra.

Tha government recently predicted that total production could increase to 120 tonnes within 15 years, from 70 tonnes in 1993. This would lift Brazil from the world's eighth largest producer to the fifth or sixth, according Mr Marcos Maron, a government mining analyst.

But the predictions depend partly on lifting restrictions on foreign mining companies, a move which could occur this year if Mr Cardoso wins support for a constitutional review.

The restriction has led to extremely low investment in exploration considering Brazil's land area, whicb is roughly the same as thet of the US excluding Alaska.

"Total exploration investment is about $60m a year and half of that comes from CVRD, mainly for gold. Brazil's land area sbould justify investment of $250m-$300m," says Mr Maron. He says it costs on average $1m in exploration investment to discover one tonne of gold reserves.

Mr Guerra says be expects risk contracts to be signed within six months, allowing the company to double gold exploration investment on its landholdings within two years.

But some analysts, pointing to a failed partnership attempt to explore gold production in Minas Gerais state with Australia's Western Mining Corporation three years ago, believe the process will be slower.

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Gaz de France seeks 'new alliance' with Elf

The president of Gaz de France, Mr Loïk Le Floch-Prigent, yesterday announced sharply higher profits for the state-owned utility and said he sought "a new alliance" with Elf-Aquitaine, the partially-privatised oil group which he used to head, writes David Buchan in Paris.

GdF increased its net profit for 1994 by 27 per cent to FFr1.35bn ($255.2m) on turnover of FFr47.1bn. The utility said it was able to invest FFr5.7bn and to reduce its debt by 2.6bn over the year, because of a healthy cash flow. But GdF is keen to strike new industrial or even financial alliances with other companies particularly to help it develop abroad, where it has recently bought stakes in German and Slovak companies.

Mr Philippe Jaffré, president of Elf-Aquitaine, criticised the condition in which he found the oil group when he took it over from Mr Le Floch-Prigent in 1993, leading to a frosty relationship between the two. But Mr Le Floch-Prigent yesterday said he thought it was time for "a new alliance" between the two groups, which have long co-operated in distributing gas in the south-west of France.

Mr Jaffré's recent decision to create a gas subsidiary of Elf did not necessarily undermine the case for an alliance, Mr Le Floch-Prigent said, though he added that GdF would consider closer relationships with its sister state utility, Electricité de France, and with Total, the other private French oil company.

Philippines oil refiner registers 34.5% advance

Petron, the Philippines' largest oil refiner, increased its net income by 34.5 per cent to 3.74bn pesos ($150m) in 1994, according to a filing with the Securities and Exchanges Commission, writes Edward Luce in Manila.

The former state-owned oil corporation, now 40 per cent owned by Saudi Aramco, said it sold 54.2m barrels of oil, or 8.6bn litres, last year, a 5.2 per cent increase on 1993. Total assets rose by 26 per cent to US$1.4bn. A dividend of 30 pesos a share has been approved.

At Petron's the privatisation sale last September the oil refiner's initial public offering was the biggest in the history of the Philippine stock market. The government retains a 40 per cent holding through the Philippine National Oil Company.

North American Life to sell off trust unit

North American Life, a leading Canadian life company with nearly C$10bn assets, has put its three-year-old trust unit up for sale, writes Robert Gibbens in Montreal. NAL Trustco has an asset base of about $8bn. The parent said it wants to concentrate on developing its life insurance business and improving its capital and surplus ratios.

The move is part of a significant consolidation in Canadian financial services. The big banks, following deregulation, have moved aggressively into trust services and money management. Manufacturers Life recently withdrew from retail banking.

Economic recovery boosts L'Oréal sales

L'Oréal

Share price (FFr)

Source: Datastream

L'Oréal, the world's largest cosmetics group, yastarday announced that it had achieved a sharp increase in sales last year, raising turnover by 18.5 per cent to *FFr47.6bn, writes John* Ridding in Paris. Industry analysts said that the increase reflected the recovery in the cosmetics and luxury goods sector after the recession of 1992-93. They forecast further growth for 1995.

L'Oréal said thet sales growth was 8 per cent if the restructuring of the group over the past year was taken into account. As of July last year, agents of the group, including Cosmair Inc of the US, Cosmair Canada and Lorsa Fagel have been consolidated into the L'Oréal group, along with 49 per cent of Procasa, the Spanish operation.

The French group confirmed an earlier forecast that pre-tax profits would rise by about 20 per cent in 1994. In 1993, profit on ordinary activities before taxes amounted to FFr4.49bn.

Acquisitions spark turnround at Mattel

Acquisitions helped Mattel, the US toy maker, report a turnround from net losses of $42.7m to net profits of $42.9m for its fourth quarter, writes Richard Tomkins in New York.

However, both figures were affected by restructuring charges caused by the cost of integrating the acquisitions.

Mattel said a better guide was the pre-tax profit before restructuring charges, which rose 38 per cent to $135m.

Sales increased 37 per cent to $1.03bn, while fully diluted earnings per share, including all charges, were 19 cents, compared with a loss of 21 cents last time. Full-year net income rose to $255.8m from $117.2m.

Since the end of 1993, Mattel has bought the toy companies Fisher-Price, Kransco and J.W. Spear. In December it announced 1,000 job cuts, producing a fourth-quarter restructuring charge of $72m before tax.

Rustenburg Platinum lifts interim dividend

Rustenburg Platinum (Rusplat), the world's largest producer of platinum group metals, reported a 23.9 per cent advance in pre-tax profit in the half-year to December 31, to R228.8m ($64.5m) from R184.7m, and proposed an increase in its interim dividend, Reuter reports from Johannesburg.

Distributable profits advanced to R145.5m from R133.0m on net sales of R1.59bn compared with R1.37bn. The interim dividend rises to 68 cents from 62.5 cents a year ago.

Canfor's C$700m bid for Slocan fails

Canfor, the Vancouver-based forestry group, has failed in a C$700m (US$500m) hostile bid for Slocan Forest Products, writes Bernard Simon.

Canfor, which offered a combination of cash and shares, fell short of attracting its minimum target of 51 per cent of Slocan's shares.

Slocan countered Canfor's bid by offering to buy back one-fifth of its shares at C$20 a share.

Mr Irving Barber, Slocan chief executive and largest single shareholder, has agreed not to take part in the buy-back, with the result that other shareholders will be able to sell about a quarter of their holdings.

Slocan's buy-back, costing C$160m, will be financed in part by a sale of notes to the *Canadian subsidiary of Weyerhaeuser*, the US forestry group.

Canfor bid C$19 a share in cash for 10 per cent of Slocan and 0.987 Canfor share for each remaining share.

Mr Peter Bentley, Canfor chairman, said that further consolidation and rationalisation was required to improve the competitiveness of British Columbia's forestry industry.

Biogen's yearly losses overstated

Biogen, the US biotechnology company, said its full-year results, announced a fortnight ago, overstated its losses by a factor of two, writes Tony Jackson in New York. It said it had been informed of extra royalty income from *unexpectedly* high sales of the hepatitis-B vaccine in France.

For the final quarter, previously-announced *net income of $4m*, or 11 cents a share, has been revised up to $9.7m, or 27 cents. A full-year loss of $10.6m, 32 cents, is now a loss of $4.9m, or 15 cents.

Skellerup ahead at NZ$18m in first half

Skellerup, one of New Zealand's largest industrial groups, said yesterday it had lifted tax-paid profits by 60 per cent to NZ$18.2m (US$11.6m) in the first half, helped by the acquisition of Levene, the national paint retailer, writes Terry Hall in Wellington.

During the period the company had additional *abnormal gains of* NZ$11.2m from the sale of Morrison PIM Holdings to Manders, the UK-based graphics company.

Directors said Skellerup, which was floated by Brierley Investments last year after consolidating many of its New Zealand interests in manufacturing, garden supplies and hardware retailing, was benefiting from the growth and confidence in the economy. However, it expected a modest slowdown in the second half due to rising domestic interest rates and a recent softening of business confidence.

Among divisional results, the manufacturing sector increased earnings by 72 per cent to NZ$11.7m and the distribution division by 106 per cent to NZ$5.6m.

The interim dividend is 2.5 cents a share.

Jamaica Telecoms profit up 44%

Telecommunications of Jamaica returned a net profit of J$1.2bn (US$36m) in the nine months to December 31, 44 per cent more than the corresponding period of 1993, writes Canute James in Kingston.

The company, in which Cable and Wireless of the UK has a majority stake, reported operating revenues of J$5.7bn and expenses of J$2.2bn. Interest payments on loans to finance an expansion of its services cost J$374m, while J$1bn covered depreciation costs.

Emerson hits record

Emerson Electric, the US manufacturer, produced record sales and earnings for the first quarter, with net profits up 14 per cent at $203m, or $0.91 a share, writes Tony Jackson. Sales growth of 14 per cent, to $2.2bn, was the strongest since 1990, with exports up 38 per cent and sales by overseas subsidiaries rising 12 per cent in local currencies.

Mr Charles Knight, chairman, said current market trends should continue into the second quarter.

Sharp growth at Acer

Acer, Taiwan's leading computer maker, recorded a 102.6 per cent jump in sales in January compared with a year ago, Reuter reports from Taipei. Sales in January amounted to T$3.67bn (US$139.5m), compared with T$1.81bn, said Acer, which has a sales target for this year of T$42bn compared with T$33bn in 1994.

ABN Amro considers bid for Antilles bank

By Ronald van de Krol in Amsterdam

ABN Amro, the Netherlands' largest bank, said one of its subsidiaries was considering making an agreed bid of more than Fl 365m ($215m) for Orco Bank of the Netherlands Antilles as part of an attempt to settle Orco's future.

The Dutch bank, which had been asked to bid by Orco and the central bank of the Netherlands Antilles, plans to sell on the bank to other investors.

ABN Amro said the possible bid price would not be substantially higher than Fl 73.80 a share, the price at which Orco's shares were suspended in Amsterdam on January 30. This would value Orco at a minimum of Fl 367.5m. The bank's balance sheet total in 1993 stood at Fl 1.1bn, consisting mainly of bonds.

Orco's shares were suspended after it revealed it had invited an unnamed *financial institution to make a bid.* ABN Amro's vehicle for the possible bid is a subsidiary, Estancia Investments, chosen to underline the fact that the Dutch bank is operating at arm's length and does not intend to keep Orco within the group.

Orco is facing several problems, including the fact that its status is not clear. In the Netherlands Antilles, the loss-making Orco has a full banking licence, but the Dutch authorities consider it an investment institution because its main asset is an extensive bond portfolio.

The Antilles bank has been hampered by a management clash on strategy. Mr Jaap Kroonenberg, an Amsterdam-based property developer, owns about one-third of the bank.

ABN Amro said it may take months before a bid prospectus is published because of the need to value Orco's assets and seek approval from the relevant banking authorities.

The Netherlands Antilles are an autonomous part of the kingdom of the Netherlands. The central banks of both the Antilles and the Netherlands are eager to settle Orco's future and are believed to have prevailed upon ABN Amro to lend its expertise.

Silicon Graphics in software deals

By Louise Kehoe in San Francisco

Silicon Graphics, the leading manufacturer of computer workstations for three-dimensional imaging applications, is to acquire two software companies that specialise in programs used to create special effects for television, films and video games in deals worth almost $500m.

It will acquire Alias Research of Toronto, a leading developer of software tools used in the film industry, for about $360m in stock, and Wavefront Technologies of Santa Barbara, California, which provides television special effects software, for about $130m in stock.

Silicon Graphics said it would form a new software subsidiary, to be based in Toronto, combining the two software firms.

The as-yet unnamed subsidiary will focus on the tools for the creation of "digital content" for interactive television, video games and on-line services as well as tools for industrial design.

The merger is expected to result in a standard architecture for software used in the entertainment and design industries.

Silicon Graphics said the new subsidiary is expected to generate more than $100m in revenues in fiscal 1996.

The company will take a charge of between $25m and $35m in the fourth quarter, ending in June.

Gulf Canada to sell 25% stake in Russian oil group

By Bernard Simon in Toronto

Gulf Canada Resources, the Calgary-based oil and gas producer, has put its 25 per cent stake in Russia's KomiArctic Oil up for sale.

The Russian company, in which British Gas has a 25 per cent interest, produces about 16,000 barrels of crude oil a day, and is developing the Upper Vozey oilfield in northern Russia's Komi republic. Komineft, the Russian oil and gas company, is the other main shareholder.

Gulf said while the investment "is sound from a technical perspective, [it] has been delayed by the uncertain political and constantly changing economic environment".

According to Gulf, KomiArcticOil has reached a point in the development of the Upper Vozey field where it needs fresh funds. Gulf said "such a decision should be made by a new long-term shareholder."

INTERNATIONAL COMPANIES AND FINANCE

Aetna allays concerns with low provisions level

By Richard Waters in New York

Concerns about environmental liabilities faced by Aetna, the US insurance group, were eased by the low level of provisions announced by the company yesterday.

The company reported a $1.5bn reduction in its capital base, due to unrealised losses last year on its bond holdings.

However, it added that these paper losses, which reduced its reported capital to $5.5bn, did not hurt its risk-based capital ratios for regulatory purposes.

Aetna said it had set aside an additional $13.4m in reserves for environmental claims during the final quarter of 1994, higher than the $2.4m of the previous year but below most expectations.

Investors had been uneasy about further charges since a $63.7m provision in the second quarter of 1994.

For the whole year, Aetna said additions to its environmental indemnity ressrves were $114m.

However, that was partially offset by a $66m reduction in reserves set up earlier to cover personal and auto claims.

Catastrophe losses were $190m.

Profits in the company's property/casualty business were dented by a net capital loss of $1m, compared with a $101m gain in 1993.

As a result, operating profits from property/casualty fell to $60m from $241m in 1993.

The weakness in that division held back overall net income at Aetna last year to *$468m, or $4.14 a share.*

In 1993, the company reported a loss of $366m, or $3.29 a share, after pre-tax charges of $1.57bn to cover discontinued products and redundancy costs.

For the final quarter of 1994, Aetna reported net income of $160m, or $1.42 a share, compared with a loss a year before of $1.13bn, or $10.10, after the one-off costs.

Canadian steelmaker unveils C$500m modernisation plan

By Bernard Simon in Toronto

Algoma Steel, the Ontario-based steelmaker controlled by its 5,000 workers, has unveiled a modernisation plan aimed at turning it into one of North America's lowest-cost producers of hot-rolled sheet.

The C$500m (US$360m) investment will include a thin slab caster linked to a new hot strip mill, and varions improvements aimed at increasing output of high-margin products.

Equity and dsbt issues required to finance the investment will significantly dilute employees' ownership from the current 57 per cent.

The workers gained their interest as part of a 1992 restructuring to save Algoma from bankruptcy. As part of the deal, they agreed to significant concessions on wages and work practices.

The rebound in the North American steel market pushed Algoma's earnings up to C$127.3m, or C$4.85 a share, last year from C$7.1m, or 27 cents, in 1993. Shipments totalled 2.02m tons, up from 1.99m tons.

Algoma's biggest union last week ratified a five-year contract which will smooth the way for securing outside financing for the modernisation plan.

Another 500-800 jobs will be lost, bnt workers will gain greatsr access to corporate information and more say in decision-making.

Algoma's common shares are due to bs listed on the Toronto stock exchange next week.

Acquisitions behind Agco rise

By Laurie Morse in Chicago

Acquisitions, inclnding the purchase last June of the international operations of agricultural machinery makers Massey Ferguson, lifted revenues at Agco, the farm equipment manufacturer, to $472m in the fourth quarter ended December 31, from $171m a year earlier.

Net fourth-quarter earnings rose to $53.3m, or $1.91 a share, from $14m, or 66 cents. This year's fourth-quarter results include a non-recurring charge of $13.5m, which was more than offset by an accounting adjustment that resulted in a $30m tax benefit.

Per-share earnings reflect a 32 per cent increase in the number of outstanding shares since the fourth quartsr of 1993.

Excluding extraordinary items, fully-taxed earnings in the fourth quarter were $1.11 a share, against a comparable 43 cents a year earlier.

In addition to the Massey Ferguson purchase, Agco bought the White-New Idea farm machinery business and a financing business, Agcredit. If pro-forma figures for thasa acquisitions are considered, Agco's fourth-quarter earnings in 1993 would have been $24m, and revenues $410m.

For the full year, net earnings were $115.5m, or $4.70 a share, on net sales of $1.35bn. That compares with $34m, or $1.85, on revenues of $595m in 1993.

Mr Robert Ratliff, chairman, said that in addition to strong volumes in North America and Europe, Agco saw markat share gains in Australia, South Africa, East Asia and the Pacific.

US rail merger cleared by shareholders

By Richard Tomkins in New York

Burlington Northern and Santa Fe Pacific, two of the *seven big US railroads, yesterday* looked set to form the nation's largest railway company following shareholder approval of their plans for a $3.9bn merger.

By late on Tuesday at least 78 per cent of Burlington Northern's shares and at least 70 per cent of Santa Fe's had been voted in favour of the deal, so clearing one of the last stumbling blocks to its completion.

Last week a significant obstacle to the merger was removed when Union Pacific, at present the largest US railway company in terms of annual revenue, withdrew its competing bid. It said it was not prepared to increase its $3.6bn offer any further.

However, one hurdla still remains. The Burlington/Santa Fe merger has to win the approval of tha Interstate Commerce Commission, a federal regulatory authority that oversees tha railway industry.

Under the terms of tha merger, Burlington Northern will immediately buy 25m of Santa Fe's 189m shares for $20 each in cash, and Santa Fe will repurchase a further 38m of its own shares.

Each of the remaining 126m Santa Fa shares will be swapped for 0.4 of a Burlington Northern share if and when the deal is approved by the ICC.

If the deal is not approved, Burlington Northern will be left with a 13 per cent stake in Santa Fe which it could then either hold or sell. But Burlington is confident that the deal will go through because there are relatively few routes on which the two railroads compete directly.

The combined company, to be called the Burlington Northern Santa Fe, will havs annual revenues of abont $8bn and a railway network spanning 31,000 route miles across the western US. By comparison, British Rail's network totals 10,000 route miles.

Int'l Paper pulls out of the slump

Diversification has improved earnings prospects, writes Laurie Morse

International Paper, the world's largest paper company, has weathered the worst slump in the paper industry since the Great Depression.

Diversification of products and markets has helped the company to a position where it *can take advantage of what Mr* George Adler, en analyst with Smith Barney Shearson, calls a "vertical recovery" in paper prices.

Commodity grade pulp prices have risen 75 per cent over the past 12 months, while prices for IP's staple product – commodity white reprographic paper – have jumped $340 a metric ton to $1,020 since June. Analysts believe the market will bear another prica increase in the spring.

With a new paper machine coming on line in Riverdale, Alabama, in June, IP will be able to sell more products – about 360,000 additional tons of uncoated office paper a year – into en improving market.

Earnings estimates for the company have been rising, as ths group pulls out of four years of income decline.

Consensus figures compiled by Zacks Investment Research put the average 1995 earnings estimate at $7.26 a shara, although some forecasts are as high as $8, double last year's earnings of $357m, or $3.46 a share.

Analysts say sales could top $18bn this year, up from $15bn in 1994.

However, the company faces two problems: the threat of environmental legislation and the question of management *succession.*

Analysts say sales could top $18bn this year, up from $15bn in 1994

If proposed US environmental standards are enforced, they will cost IP more than $1bn in capital improvements over a three-year period.

The standards, known as "cluster rules," require a co-ordinated approach to mitigating air, water and soil pollution at industrial sites, and will apply to every US company in the paper-making business.

Mr John Georges, the 63-year-old chairman who retires in 1996, says the new Republican Congress may take a more "reasonable" view of the cluster rules, which are currently under review.

"Wa are confident that logic and good science will prevail and the EPA's final plans will be modified," IP said.

If tha expected modifications are made, "significantly" less capital would be required to meet them end would be spread over a longer period, the company said recently.

The choice of a successor to Mr Georges has become a crucial issue, since analysts say his persona is deeply intertwined in the company's *operations.*

Mr John Dillion, head of IP's packaging division, is considered heir-in-waiting, although the company says a "broad search" is being conducted.

When Mr Georges took charge in 1981, IP was a collection of inefficient domestic paper mills with $4bn in sales.

Several wsll-timed asset sales provided capital for a five-year modernisation programme, and international expansion.

Today, IP has operations or subsidiaries in Europe and Latin America, and has diversified into building materials, specialty photographic imaging prodncts, chamicals, and energy.

When the paper industry slump hit in 1989, Mr Georges balanced losses in the paper divisions with profits from specialty products operations. He also leaned heavily on the company's forest products division, which manages over 6.2m acres of US timber lands.

He admits to raising timber cutting to "unsustainable" levels in 1993 to balance earnings. Pressure on the forestry division eased last year, with harvesting and timber income levels declining as paper prices rose.

Mr Georges also bet on falling interest rates, keeping more than half of the company's debt, or about $3bn, in floating-rate instruments. IP is currently converting that portfolio to fixed-rate debt.

As cash flow rises this year, IP plans to spend $1.3bn in domestic capital improvements. In addition to the Riverdale paper mill, the company is investing in a new linerboard machine in Mansfield, Louisiana, and will double its plywood capacity with a new plant opening in Texas next year.

Although he has not yet achieved his benchmark 15 per cent return on equity over the span of a market cycle, Mr Georges believes the company's diversified products and markets will smooth out the effect of industry cycles on earnings.

Former Kiwi chief to take legal advice over sacking

By Richard Tomkins

The sacked chairman of Kiwi International Air Lines, a low-cost regional US carrier thet has contributed to the fare wars in the US airline industry, yesterday said he intended to take legal action over his dismissal.

Mr Bob Iverson, who was forced out of Kiwi International last week, also said that the company was under financial pressure and that he had been about to carry out a $7.5m refinancing to enable it to carry on with its business plan.

Kiwi, based in Newark, New Jersey, was founded in 1992 by Mr Iverson and other pilots who lost their jobs when Eastern Air Lines, their former employer, went bankrupt. It has 13 aircraft flying between Newark, Chicago, Tampa, Orlando, West Palm Beach and San Juan.

In December ths airline was briefly grounded by the Federal Aviation Authority because of defects in its pilot-training records, but this is not believed to have been a factor in Mr Iverson's departure.

The company announced on Tuesday that Mr Byron Hogue, a former Federal Express manager, was to become its new chairman and that it had appointed Seneca Financial, a merchant bank based in Greenwich, Connecticut, to provide advice.

In a prepared statement, Mr Hogue said there had been a shared consensus by the board thet it was time to take Kiwi to its "next plateau".

But Mr Iverson claimed yesterday that his dismissal had been illegally engineered by a small minority of board members for personal reasons. "It really didn't have anything to do with the business," he said.

Bombardier to lift production rate of 50-seat Regional Jet

By Robert Gibbens in Montreal

Bombardier, the international aerospace and transit equipment group, is raising the production rate for its 50-passenger Regional Jet from three per month to four in 1995-96 because of rising orders.

Bombardier began making the RJ at a rate of two a month in 1992 and a year ago raised this to three a month. The new rate means it will deliver 40 aircraft in ths fiscal year ending January 31 1996, up from 27 in 1994-95. Potential deliveries in 1996-97 will be 48.

Short Brothers of Belfast makes the central fuselage section for the RJ.

Bombardier has delivered 52 RJs to North American and European customers and has a firm order backlog of 57. Options now total 87 with the addition this week of 35 more, potentially worth more than US$600m.

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Saatchi turns to courts to limit poaching

By John Mason and Diane Summers

Saatchi & Saatchi, the advertising group, yesterday mounted a fresh legal challenge against Mr Maurice Saatchi, its former chairman, in an attempt to restrict the possible poaching of business for his new agency.

The group asked the High Court for an injunction to prevent Mr Saatchi winning over any of its current clients or recruiting members of its staff.

In a separate move, the group is also trying to stop Mr Saatchi, his brother Charles and the three executives from using the Saatchi name. Mr Saatchi's rival agency is currently legally incorporated as Dress Rehearsal Ltd, but is known for working purposes as New Saatchi.

Yesterday's application was made at a preliminary hearing held ahead of Saatchi & Saatchi's main legal action against its former chairman. In the main action, expected to take place in April, the Saatchi group is suing Mr Saatchi for allegedly inducing three senior executives to breach their contracts and join him in setting up the new agency and conspiring with them to injure the business of Saatchi & Saatchi.

It said yesterday that unless it received undertakings from the five on the use of the Saatchi name it would seek a fresh injunction preventing the agency from infringing the group's registered trade mark and passing itself off as a Saatchi group company.

Mr Charles Gray QC, for Saatchi & Saatchi, told the High Court there could be no objection to Mr Saatchi setting up a rival agency; however, such competition had to be fair and could not include interference with either Saatchi & Saatchi's clients or employees.

Mr Bill Muirhead, Mr Jeremy Sinclair and Mr David Kershaw, have undertaken to limit their involvement in the new agency until the main court case has been dealt with.

Saatchi & Saatchi is attempting to prevent them from joining the new agency for periods of between two and four years. Judgment is expected today.

Mr Saatchi, who was not in court, yesterday addressed the Foreign Press Association in London on the future of advertising. Referring to the "marketing wars" of the 21st century, he said he would be advising clients: "Hit first! Hit hard! Keep on hitting!"

Crossroads Oil purchase

Crossroads Oil Group, the USM-traded oil and gas exploration company, is proposing to acquire the balance of Melrose, plus the outstanding 55.6 per cent stake in the companies' two joint ventures.

Melrose invests in, manages and drills for 14 oil and gas partnerships in the US.

Consideration will comprise the issue of 94.5m new shares at 20p, valuing the part of the Melrosa business being acquired at £18.9m.

Crossroads is also placing 8.4m shares at 20p to raise £1.7m and making a scrip issue of warrants to existing shareholders on a 1-for-8 basis, at 25p or 30p depending on the date of exercise.

Losses continue at core consumer electronics side

Stock writedowns behind Amstrad's fall to £25,000

By Paul Taylor

Exceptional stock writedowns and continuing losses in its core consumer electronics business meant that Amstrad barely broke even in the first half, despite reporting slightly higher sales reflecting recent acquisitions.

The £25,000 ($39,000) pre-tax profit for the six months to December 31 compared with a £1.75m profit a year ago and sales which rose to £142.9m (£139.9m), including a £41.8m contribution from Viglen, the computer manufacturer acquired by Amstrad in June last year.

Mr Alan Sugar, chairman, blamed "exceptionally difficult" market conditions throughout Europe for the losses in consumer electronics which he said was largely responsible for the £8.35m trading loss from continuing operations. This was struck after exceptional stock provisions and rationalisation costs of £4.9m, which mostly related to the consumer electronics business which is being reorganised by Mr David Rogers, Amstrad's new chief executive.


David Rogers: Non consumer divisions meeting expectations

Mr Sugar said the benefits of the restructuring under way in consumer electronics "will not be seen in the current year, but is expected to result in significant improvements next year".

Overall Amstrad reported a reduced £2.73m (£26.5m) operating loss after a £5.62m contribution from acquisitions. Aside from the losses in consumer electronics, Mr Rogers said the group's other divisions, Viglen, Betacom and Dancall Telecom, had performed in line with expectations.

Losses per share of 0.2p compared with earnings of 1p. The interim dividend is unchanged at 1p and the shares closed 8p up at 141p.

Dailywin seeks funds for China growth

By David Blackwell

Dailywin Group, a Hong Kong-based watchmaker, is seeking a listing in London to help finance expansion in China.

It is planning a £5m placing and to raise £2.6m net of expenses. The group, which is expected to be valued at about £20m, is coming to London because it is too small to be listed in Hong Kong under tougher regulations introduced last year.

Dailywin was founded in 1978 by Mr Eddie Leung, who owns most of the shares with his family. He and his fellow directors will sell about 10 per cent of their shares, raising £1.6m.

Pre-tax profits for the year to March 31 1994 were £943,000 on sales of £15.8m with a forecast of £2m for this year.

Dailywin makes watches sold under several brand names, including Sekonda, Accurist and Casio. Timex has a 1 per cent stake.

Trafalgar calls for intervention

By Peggy Hollinger

Trafalgar House, the engineering concern which is stalking Northern Electric with a hostile £1.2bn offer, has called on the Takeover Panel to intervene.

The appeal followed the publication of a document by Northern yesterday which appeared to imply that Trafalgar's directors had been unable to reassure shareholders in the 1994 annual accounts over the company's financial status.

Meanwhile, Northern is preparing to announce a special payment to shareholders – which analysts expect will have to be at least £1 – as part of a last ditch defence. The dividend will be delayed if the offer is refered to the Monopolies and Mergers Commission.

Northern's document calls on Trafalgar to explain why it had not made a statement indicating in the 1994 accounts "a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future".

Mr Rodney Leach, non-executive director, said guidance calling for such a statement had not been mandatory when the accounts were published.

Overseas threats open new chapter

Tim Burt considers the changing pattern of book manufacturing

When Sir Issac Pitman, the inventor of shorthand, started printing his Phonetic Journal in Bath he hoped to be remembered as an educational reformer rather than a leading book manufacturer.

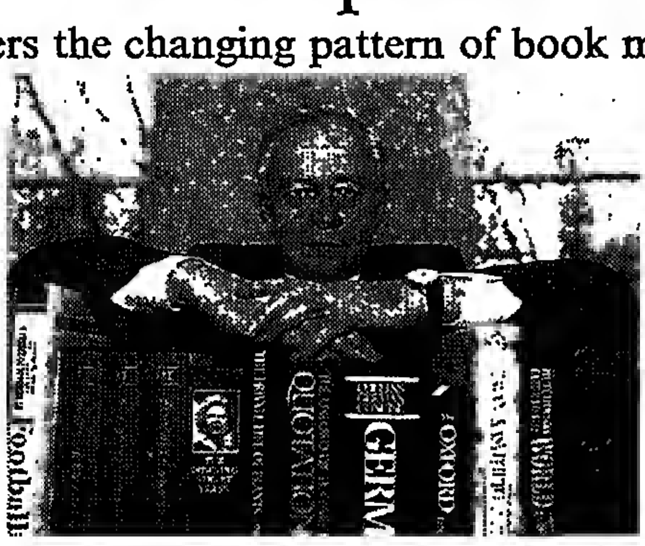
Almost 150 years later, however, the business he founded in the Lower Bristol Road is coming to the market as one of the country's main producers of academic, professional and non-fiction books.

"We are among the top two or three book manufacturers in the UK and we have long relationships with many of the 'blue chip' publishers," says Mr Roy Hill, chief executive of Bath Press Group.

Since it demerged from Pitman Group in 1983, Bath Press Group has seen suppliers in south east Asia and continental Europe win a growing share of the UK market, worth some £2.7bn in 1993.

Faced with such a challenge, it has focused on high margin reference books while retaining the capability to print blockbusters such as Andrew Morton's controversial biography of the Princess of Wales.

Its success has prompted the unwelcome attention of acquisitive UK competitors, which would relish Bath Press's contracts with university and educational publishers.


Ashley Ashwood

Roy Hill: coming to market to fund expansion

A takeover threat last year, which was thought to involve BPC, St Ives or Bowater, spurred the board into action. The company believed a listing would give it the financial muscle to invest in new facilities and its financial adviser approached Mr Luke Johnson and Mr Hugh Osmond, who were credited with bringing companies including Crabtree, Utility Cable and My Kinda Town to the market.

But the company's success has not been entirely of its own making. Changing trends in publishing have made overseas printing less attractive and provided new business for UK manufacturers. Unlike their cut-price overseas competitors, UK companies could could promise both shorter print runs and rapid reprints.

"Publishers now want just-in-time delivery, which has given UK printers a head start against Far East rivals," says Ms Chris Munro, media analyst at Hoare Govett.

Demand from such publishers helped Bath Press lift its turnover from £29.6m to £32.1m in the 12 months to March 31 last year.

However despite reporting its first pre-tax profits in three years, some analysts predict further clouds on the horizon.

Trends in publishing are shifting again, with commissioning editors looking for longer print runs for fewer titles.

That has forced the group to invest heavily in its long-run paperback and hardback book printing facilities in Bath and Glasgow. Further investment is essential if it is to retain a competitive edge in printing books such as David Attenborough's *The Secret Life of Plants*.

Mr Hill is undaunted. "Going public means Bath Press will have the financial strength to take advantage of these significant expansion opportunities," he says. "Like Sir Issac, we know where our growth market lies and we are ready to exploit it."

LEX COMMENT

Lloyds Abbey Life

The new £60m provision for pensions mis-selling at Lloyds Abbey Life is larger than expected. Given the group's 3 per cent market share and the £60m provisions it has made already, the compensation pay-out for the industry as a whole could be about £2.7bn – more than the consensus forecast of £2bn.

Lloyds Abbey deserves credit for grasping the provisioning nettle at this early stage, but the group's figures leave no doubt about the impact of regulatory upheaval and consumer trepidation on the industry. Low volumes and higher costs are combining to squeeze margins.

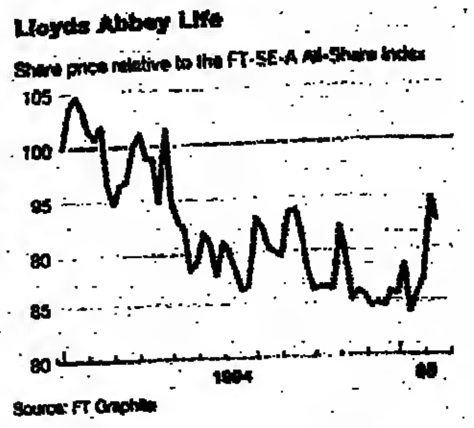
This is especially evident at Black Horse Financial Services, the "bancassurance" vehicle which sells to Lloyds Bank customers. Here analysts estimate that margins on pure life products dropped from 37 per cent in 1993 to 29 per cent last year. The mix of sales is moving away from highly profitable endowment policies to less rewarding products such as PEP-linked savings plans.

In time the "warm" customer base provided by the bank connection may give Lloyds Abbey a distribution advantage over its rivals. But for now the growth prospects for the collered under the Lloyds Abbey roof are unexciting.

The 50 per cent yield premium to the market reflects justified scepticism about the group's ability to maintain succulent dividend growth after next year. Even this will look expensive if the Lloyds Bank bid story turns out to be mere speculation.

Lloyds Abbey Life

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Pension charges hit Lloyds Abbey

By Alison Smith

A rise of almost £60m in provisions for possible compensation payments to victims of poor advice on personal pensions, taking the total to £80m, contributed to a 2.5 per cent drop in pre-tax profits for Lloyds Abbey Life last year.

The life insurance group partly owned by Lloyds Bank, reported pre-tax profits of £315.6m ($490m), against £323.6m, as good performances by its finance and general insurance subsidiaries were offset by lower profits from its two life insurance operations – Abbey Life and Black Horse Financial Services.

Sir Simon Hornby, group chairman, said the increase in provisions was due to the regulator widening the scope of pensions business review.

Sir Simon said that when provisions of £20.5m had been set in 1993, the review had been focused on pensions sold to people transferring out of an occupational scheme. Last October, the Securities and Investments Board, the chief City regulator, expanded the review to include pensions sold to people who opted out of an occupational scheme or decided not to join it.

The provisions for 1993 and 1994 total £40.7m for Abbey Life and £35.4m for BHFS. Provisions of £4m have been set aside for Lloyds Bank Insurance Services, which deals mainly in general insurance.

Sir Simon said the figures were based on a review of specific cases and a statistical analysis of LAL's pension-related business, but the group would have a better idea of the extent of its potential compensation bill next year.

Pre-tax profits at BHFS, which sells only to Lloyds bank customers, slumped by more than 40 per cent to £67.6m (£115.6m), while profits at Abbey Life were down 8 per cent to £123.8m (£135.3m).

Baris sells German offshoot for DM1

Baris Holdings, the drylining and fire protection systems group, is selling Baris Deutschland, which incurred an operating loss of £128,000 in the year to February 28 1994, for a nominal DM1.

Costs of £1.1m relating to the withdrawal from the German market resulted in a group pre-tax loss of £1.29m (£143,000 profit) for the six months to September 30.

The German disposal would result in a further asset write-off. However, trading in the UK continued to improve.

C&W in Russia

Cable and Wireless, the telecommunications group, has won a tender to buy a 20 per cent stake for a nominal sum in a telecoms company serving the Russian island of Sakhalin.

It is investing $10m over the next three years to modernise the network.

BASF buy

BASF's proposed £850m acquisition of Boots Pharmaceuticals has been approved by the German chemical group's supervisory board and that of Knoll, its drugs division.

Mr Thorlef Spicksen, Knoll chairman, said the acquisition was "a bold strategic move in the right direction" that would enable BASF to expand its generics business.

Dutch expansion for BTR

By Tim Burt

BTR, the industrial conglomerate, is expanding its aerospace activities with the Fl 44m (£16m) cash acquisition of Turbine Overhaul Power Plant Support (Topps), the Dutch aircraft engine refitter.

The company, jointly owned by KLM Royal Dutch Airlines and the Chromalloy Gas Turbine Corporation, will be merged into Standard Aero, BTR's Canadian subsidiary.

BTR was attracted to Topps by its overhaul facilities for engines, including the Pratt & Whitney PW100 engines favoured by airlines using regional aircraft.

BTR shares closed up 7p at 314p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alexanders	Yr to Sept 30	110.9	(87.2)	0.935	(0.512)	2.29	(1.25)	0.7	Apr 21	0.5	1	0.5
Amstrad	6 mths to Dec 31	142.9	(139.9)	.025	(1.75)	0.2L	(1)	1	-	1★	-	2.5
Compel	6 mths to Dec 31	28.3	(24.3)	1.19	(0.99)	5.56	(5.02)	1.43	Apr 28	-	-	-
Conrad Ritblat	6 mths to Nov 30	5.92	(5.62)	0.673	(0.609)	0.43	(0.71)	0.15†	Mar 30	nil	-	0.5
Elbief	6 mths to Oct 31	2.23	(1.95)	0.028L	(0.138L)	0.2L	(1.1L)	-	-	-	-	-
Huntingdon Intl	3 mths to Dec 31	28.3	(38.1)	0.149L	(1.23)	-	(-)	-	-	-	-	0.875
Lloyds Abbey Life	Yr to Dec 31	2,394	(2,819)	315.6	(323.6)	29.8	(31.1)	12.7	May 2	11.7	19.5	18
Lofs ☆	9 mths to Dec 31	24.9	(20.3)	6.01	(2.36)	8	(8)	0.25‡	Apr 20	-	-	2
NWF 大	8 mths to Nov 30	26.9	(22.2)	1.11	(0.824)	-	(-)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Emerging	6 mths to Dec 31	175.11	(216.3)	0.311L	(0.215L)	0.32L	(0.22L)	-	-	-	-	-
Genesis Emerging ☆	6 mths to Dec 31	15.83	(15.81)	1L	(0.91L)	0.05L	(0.06L)	-	-	-	-	-
Hotspur	Yr to Dec 31	440.16	(462.5)	0.036	(0.064)	6.18	(10.29)	7.5	Mar 29	7.5	7.5	7.5
Scottish American	Yr to Dec 31	171.4	(185.3)	10.9	(10.3)	4.86	(4.81)	1.22	Apr 5	1.18	4.82	4.63

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. 大Rule 4.2 stock. ★Adjusted for consolidation. ☆US currency. ‡Third interim: makes 0.75 cents gross to date.

CONTRACTS & TENDERS

COMMODITIES AND AGRICULTURE

Nickel loses $700 a tonne in new pressure

By Deborah Hargreaves

Aluminium and nickel prices tumbled on the London Metal Exchange yesterday as both metals came under further pressure from a wave of selling by investment funds and speculators.

Nickel suffered most from the markets' movements with prices dropping by over $700 a tonne to close at $8,010 a tonne.

Aluminium lost over $150 a tonne at one stage to hit a new low point for this year of $1,845 a tonne, but consolidated in later trading to $1,865 a tonne – a drop of $115 a tonne.

"It's carnage in the markets – all the funds want to get out at the same time," one trader said.

Mr William Adams at Rudolf Wolff, the London metals brokers, said: "The funds have been a much larger factor in this current cycle of price rises so when they want to get out, the effect hits all metals regardless of fundamentals."

But while analysts attribute most of the recent price declines in base metals to a wave of profit-taking by funds, some believe the nickel market was particularly vulnerable to a correction.

"Nickel probably has the weakest fundamentals of the whole complex because of the stock overhang," said Mr Angus MacMillan, research manager at Billiton Metals, part of the Gencor group, in London.

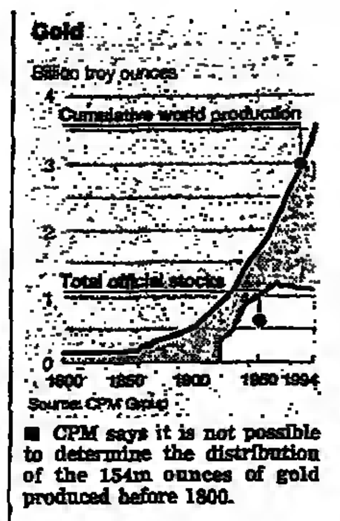
Nickel stocks at the LME and those held by producers and consumers are currently equal to 20 weeks' consumption. But Mr MacMillan said that, in order to support previously high prices, stocks should have been closer to six to eight weeks' supply.

Nickel prices havs now crumbled from the recent high point of $10,500 a tonne – the highest lsvel since 1990 – which the market touched on January 25.

Since then, the market has declined by 24 per cent. Prices were buoyed in recent weeks by reports of problems at Russia's Norilsk smelter, the world's biggest producer.

"I'd expect to see some consolidation above $8,000 a tonne for nickel, but if the rest of the complex takes off again, there would not be much justification for nickel to follow," said Mr MacMillan.

Copper prices showed some consolidation yesterday with the market holding above the $2,800-a-tonne mark.



■ CPM says it is not possible to determine the distribution of the 154m ounces of gold produced before 1800.

US group charts all the world's gold: history's 115,000 tonnes

By Kenneth Gooding
Mining Correspondent

By the end of 1994 the world's mines had produced throughout history about 3.703bn troy ounces or 115,164 tonnes of gold, according to CPM Group, a New York based precious metals research and consulting organisation.

Most of the gold, an estimated 1.309bn ounces (40,710 tonnes), has been used for jewellery. Another 1.162bn ounces is held by central banks and other government organisations. Private investors hold about 806m ounces and only 11 per cent of the cumulative production, or 424m ounces, has been absorbed by industrial applications, dental alloys, or has been lost in some way.

Mr Jeffrey Christian, CPM's managing director, points out that most gold is not "consumed" but "used" and thus is always available for recycling.

"This, plus the fact that so much gold has been held as monetary and financial reserves by governments and individuals, means that a good deal of cumulative production of gold is accountable."

He said CPM's task in producing the annual chart was also simplified by the fact that 86 per cent of the 3.7bn ounces was mined this century.

The Cumulative World Production and Distribution of gold chart dates back to the late 1960s when the Anglo American Corporation of South Africa and its associate Charter Consolidated undertook a major study of these factors at a time when the gold market was about to be freed from artificially fixed prices.

Norway uncaps rules for explorers

Karen Fossli in Oslo on a move to beat shrinking oil production

Oil companies could expect to make discoveries of up to 3.5bn tonnes of oil or gas in Norwegian waters, according to Mr Arild Nystad, director of resource management at the Norwegian Petroleum Directorate.

Mr Nystad's forecast came as the government announced its 15th licensing round last Friday which is aimed at preventing a dramatic decline in oil production by the end of the decade.

Norway is western Europe's biggest oil producer with current record output of 2.8m barrels a day. This year it will overtake Iran as the world's second largest net crude oil exporter after Saudi Arabia.

But the average size of new petroleum discoveries is shrinking to between 5m-15m tonnes of oil equivalent and an estimated 25 per cent of proven discovered reserves has been produced along with 15 per cent of discovered and undiscovered reserves, according to the industry watchdog.

Norway has produced and spent the revenue gained from about 16 per cent of estimated petroleum resources since the oil boom began in the 1970s.

This partly explains why Mr Jens Stoltenberg, the industry and energy minister, told oil companies last Friday that he intends to ease conditions and open new acreage for exploration in connection with Norway's 15th licensing round.

"We have definitely passed the first phase in Norwegian oil and gas history in which we found big oil fields and made big profits. Now, in the second phase, there is greater uncertainty about where to find oil, and profits will be less," Mr Stoltenberg warned.

Exploration activity in Norway has fallen off in recent years, and the government is keen to reverse the trend. Last year development activity accounted for 62 per cent of rig demand and exploration activity 38 per cent. That compares with 52 per cent and 48 per cent respectively in 1993.

The oil companies have appealed for Norway's fiscal regime to be eased. But the minister intends instead to increase incentives by easing and simplifying rules for exploration.

Fewer licensees with larger participation interests in newly-awarded acreage marks one important policy change, in a move called for for many years.

"In addition, the level of the state's direct financial interest will be reduced," the ministry pledged.

To enhance Norway's attractiveness to international oil companies, it appears that the government will negotiate "specific solutions" for particular blocks.

Mr Stoltenberg announced the offer of 56 blocks and part-blocks for the 15th licensing round - 16 in the North Sea and 40 in the Norwegian Sea - the second biggest licensing round ever held.

"The government is relying on the potential of the mid-Norway area to rejuvenate exploration activity which has slumped significantly in recent years," said Mr Al Stanton, an analyst with Edinburgh-based energy consultant Natwest Wood MacKenzie. "The ministry has continued to back attractive acreage in the northern North Sea while promoting the frontier region in what is the largest licensing round since 1968."

For the round, the ministry also opened virgin acreage in the Voering and Moere Basins in the Norwegian Sea, where oil companies consider the potential to be "high-risk, high-reward".

"The Voering Basin is considered to have significant potential and the upcoming licensing round is expected to be successful - not least because there is potential to discover large, billion barrel oilfields in the area, the analyst said.

Mr Einar Knudsen, an exective with Norske Shell, said "The Voering Basin is interesting because it is a new area from a geological point of view. But the North Sea is also interesting because there are greater chances to find oil and the infrastructure is already in place," he added.

The industry has welcomed the policy changes and is gearing up for the round. The oil companies submitted nominations of 250 blocks from which the ministry selected a total of 56 for allocation late this year.

Despite individual disappointment over the selection of blocks on offer, oil companies overall are clamouring to gain the rights to explore some of the choicest 15th round acreage. More than 25 oil companies are expected to file applications in June. The actual acreage will be awarded in the fourth quarter of the year.

The outcome of drilling programmes in 15th round acreage is likely to be a key factor for some companies in determining their future level of commitment to Norway's oil sector.

Mr Jan Trygve Haaland, an executive with Mobil Exploration Norway, said the company's success or failure with 15th round acreage could determine the scale of its future operations in the country.

The ministry said that including the acreage offered in the 15th round, 56 per cent of the Norwegian continental shelf is now open for exploration. It believes the new acreage could sustain current output levels beyond the turn of the century.

Mr Nystad says the outlook for oil production, however, depends to a large extent on when and how quickly production will actually decline as new, smaller fields are brought into production.

Correction

An article on the Yanacocha gold mining project in Peru on February 3 contained an error in a reference to the size of minable reserves. The paragraph should have read: "Maqui Maqui, the second deposit, has minable reserves of 45m tonnes averaging 1.7 grams of gold a tonne, high for a leaching operation. This compares with about 27m tonnes at 1.38 grams a tonne in the first deposit, Carachugo."

EU row 'no help' says NFU chief

By Deborah Hargreaves

Sir David Naish, president of Britain's National Farmers' Union, said yesterday that government squabbling over the UK's commitment to the European Union was unhelpful to farmers who need to plan for the future.

"How can we take businesslike decisions with which we will have to live for years to come if the political framework fails to provide us with a firm foundation?" he asked the NFU meeting in London.

Sir David believes that in spite of the apparent complacency amongst EU agriculture ministers and the European Commission about future changes to the Common Agricultural Policy, there are bound to be further, painful changes to the CAP which could well be detrimental to larger, more efficient British farms. "There is a real danger that supply management mechanisms would be biased against the larger structure of farms found in the UK compared with the rest of the EU."

He said the NFU would fight any proposals being adopted that would affect British farmers, but warned that an extension of the quota system would be an "easy option" for politicians to adopt during their horse trading, especially in an emergency.

The NFU favours a gradual cutback in guaranteed prices with some new forms of compensation.

■ Mr William Waldegrave, agriculture minister, announced a 7.5 per cent rise in payments yesterday to British farmers who produce in areas covered by "green" schemes."

Price of wool may settle

Australian wool prices are likely to continue rising for the next two years but ease towards the year 2000, according to the Australian Bureau of Agricultural and Resource Economics (ABARE), Reuter reports from Canberra.

It said prices would probably ease after 1997 when production is forecast to rise as wool growers react to higher prices, and economic growth slows in major consuming countries.

Prices have risen strongly in the past two years with the key market indicator up from a low of 437 cents a kg to a peak of 835 cents to mid-1994, when drought cut the clip.

ABARE forecasts the average price for 1995-96 at 810 cents a kg, rising to 840 cents to 1996-97 before easing.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1830-2	1872-4
Previous	1990-1	2036-7
High/low		1960/1845
AM Official	1856.5-7	1899-900
Kerb close		1865-7
Open int.	233,710	
Total daily turnover	106,190	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1830-40	1870-5
Previous	1950-5	1985-95
High/low		1905/1860
AM Official	1835-40	1875-80
Kerb close		1870-80
Open int.	2,807	
Total daily turnover	555	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	581-2	591-2
Previous	584-5	603-4
High/low		595/567
AM Official	550-1	570-0.5
Kerb close		583-5
Open int.	41,114	
Total daily turnover	12,696	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7865-75	8010-20
Previous	8620-30	8780-90
High/low	7970/7920	8400/8000
AM Official	7970-80	8100-10
Kerb close		8000-10
Open int.	58,272	
Total daily turnover	24,031	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5280-90	5360-5
Previous	5605-10	5690-5
High/low		5520/5340
AM Official	5285-95	5370-5
Kerb close		5390-400
Open int.	22,960	
Total daily turnover	6,124	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	10003-4	1029-30
Previous	1031-2	1059-60
High/low		1050/1016
AM Official	997.5-8.5	1024.5-5
Kerb close		1036-7
Open int.	105,494	
Total daily turnover	37,945	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2811-2	2806-7
Previous	2847-8	2838-9
High/low		2813/2787
AM Official	2814-5	2808-7
Kerb close		2809-10
Open int.	239,663	
Total daily turnover	80,479	

■ LME AM Official £/$ rate: 1.5616
LME Closing £/$ rate: 1.5537

Spot:1.5523 3 mths:1.5504 6 mths:1.5487 9 mths:1.5466

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Feb	131.60	+1.50	131.80	131.00	2,000	547
Mar	130.10	+0.85	130.80	127.50	25,478	2,735
Apr	129.10	+0.85	129.40	127.90	1,055	19
May	128.30	+0.80	128.85	126.30	8,936	2,133
Jun	126.80	+0.85	-	-	594	27
Jul	125.30	+0.85	125.50	123.30	4,304	487
Total					51,486	6,656

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	374.60-375.00	
Opening	374.30-374.70	
Morning fix	374.80	241.370
Afternoon fix	374.60	240.947
Day's High	375.20-375.60	
Day's Low	374.30-374.70	
Previous close	374.60-375.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.53	6 months	5.45
2 months	4.75	12 months	5.90
3 months	4.90		

Silver Fix	p/troy oz.	US cts equiv.
Spot	300.80	465.70
3 months	305.25	473.05
6 months	310.65	480.80
1 year	322.95	496.35

Gold Coins	$ price	£ equiv.
Krugerrand	375-378	241-244
Maple Leaf	385.60-388.05	-
New Sovereign	87-90	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Feb	376.3	+1.0	376.5	375.0	1,705	174
Mar	376.9	+1.0	-	-	2	-
Apr	378.3	+1.0	378.4	377.0	71,711	11,235
Jun	381.7	+1.0	381.8	380.4	28,087	178
Aug	385.5	+1.0	384.8	384.9	15,516	25
Oct	389.4	+1.0	-	-	4,802	117
Total					172,[illegible]	12,[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Apr	413.1	+4.1	413.5	405.0	16,747	3,209
Jul	416.3	+4.3	418.5	412.0	4,720	204
Oct	420.3	+4.3	-	-	1,140	29
Jan	424.0	+4.3	-	-	190	-
Total					22,797	3,442

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Mar	158.15	+0.60	158.25	158.00	4,797	296
Jun	158.65	+0.60	159.75	158.00	2,465	184
Sep	160.80	+0.60	160.00	160.00	376	116
Dec	161.80	+0.60	-	-	53	1
Total					7,691	597

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Feb	470.3	+5.5	-	-	-	-
Mar	471.7	+5.5	473.0	466.0	66,654	9,945
Apr	474.3	+5.5	-	-	-	-
May	476.8	+5.4	478.0	471.0	17,210	1,391
Jul	482.2	+5.3	483.0	477.0	8,344	108
Sep	487.8	+5.3	481.5	481.5	10,863	8
Total					125,558	11,663

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) [illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	108.90	+0.45	108.75	108.75	1,196	43
May	110.35	+0.30	110.35	110.35	1,842	30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	1765	+15	1775	1755	491	77
Jan	1765	+25	1750	1750	100	5
Total					3,331	557

	Close	Prev
BFI	1965	1957

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1001	+7	1001	981	31,902	2,105
May	1002	+18	1001	983	20,612	517
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) [illegible]

■ WHITE SUGAR LCE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	87.20	-0.67	87.75	87.00	13,530	1,417
Oct	78.23	-0.12	78.35	77.75	4,508	378
Dec	74.00	+0.08	74.05	73.65	15,601	1,364
Mar	75.05	+0.02	75.05	74.90	1,802	205
Total					75,748	12,882

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	106.40	+1.20	106.80	103.50	12,796	1,020
May	110.35	+1.00	110.70	108.00	4,884	901
Jul	114.00	+0.85	114.40	112.00	1,267	1
Sep	117.40	+0.90	117.80	115.50	2,550	46
Nov	116.80	+0.90	116.40	116.20	1,984	30
Jan	117.40	+0.90	115.50	115.50	992	-
Total					24,451	1,998

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.450	-0.200	73.575	73.225	13,264	2,209
Apr	73.225	-0.300	73.600	73.025	42,498	5,707
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs) [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1800	135	188	56	88
1900	83	137	103	134
2000	47	97	166	181
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2700	175	150	41	101
2800	113	103	79	152
2900	68	68	132	214
■ COFFEE LCE	Mar	May	Mar	May
2650	139	198	10	140
2700	100	173	21	165
2750	67	152	38	194
■ COCOA LCE	Mar	May	Mar	May
975	31	60	5	33
1000	15	47	14	45
1025	6	36	30	59
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1650	47	78	43	92
1700	24	58	72	121
1750	14	44	112	157

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$16.45-6.55r	-0.045
Brent Blend (dated)	$16.81-6.83	-0.07
Brent Blend (Mar)	$17.06-7.08	-0.04
W.T.I. (1pm est)	$18.29-8.31t	-0.22

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$163-165	+2.0
Gas Oil	$149-150	-2.0
Heavy Fuel Oil	$104-105	
Naphtha	$166-167	+1.5
Jet fuel	$165-168	-0.5
Diesel	$151-153	-1.5

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

Gold (per troy oz)♣	$374.60	
Silver (per troy oz)♣	467.50c	-1.00
Platinum (per troy oz.)	$409.00	-0.25
Palladium (per troy oz.)	$158.00	-0.75
Copper (US prod.)	136.00c	-3.00
Lead (US prod.)	42.25c	
Tin (Kuala Lumpur)	14.29m	-0.22
Tin (New York)	250.50c	-8.00
Cattle (live weight)†	118.85p	+1.61*
Sheep (live weight)†♦	120.31p	+0.68*
Pigs (live weight)	86.68p	+2.31*
Lon. day sugar (raw)	$343.60	+3.50
Lon. day sugar (wte)	$395.00	+2.50
Tate & Lyle export	£335.00	+3.00
Barley (Eng. feed)	£110.0	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Mar)▼	122.5p	+0.5
Rubber (Apr)▼	122.5p	
Rubber (KL RSS No1)	460.5m	+3.8
Coconut Oil (Phil)§	$635.0y	-2.5
Palm Oil (Malay.)§	$640.0t	-2.5
Copra (Phil)§	$403.0y	
Soyabeans (US)	£157.0q	
Cotton Outlook'A' Index	97.85c	-0.90
Wooltops (64s Super)	496p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Mar. y Mar/Apr. q Feb/Apr ▼ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week ⊙ Prices are for previous day.

Nuts and Seeds
1994 Crop prices from Kenkko Group US $ per mt/c Iranian Pistachios 28/30 Raws (in shell) naturally opened (round) 3575 FOT MEP. Pistachios Kernels bid 6000 rarely available. Iranian market continues firm on tight supply factors. US Almonds shelled 18/20 NPSSR 4000 FAS Calif slightly easier. Forthcoming weeks crucial for almond blossom. US Walnuts (shelled) Light Halves pieces 20 per cent 4100 FAS Calif slightly easier. Indian Cashews Raw W320 5150 C&F MEP easier. Turkish Hazelnut Kernels 13/15 Standard 1's 3600 C&F MEP unchanged. Israeli Sunflower Seeds Raw (long) 8mm plus 1950 C&F MEP. North Dakota Raws (round) 730 CIF MEP. Sunflower market unchanged. Snow White Russian Pumpkin Seed 2500 C&F MEP Firm. Sesame Seed Indian 99.2 per cent natural 1100 C&F MEP steady.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 8	Feb 7	month ago	year ago
2225.9	2235.8	2254.4	1783.4

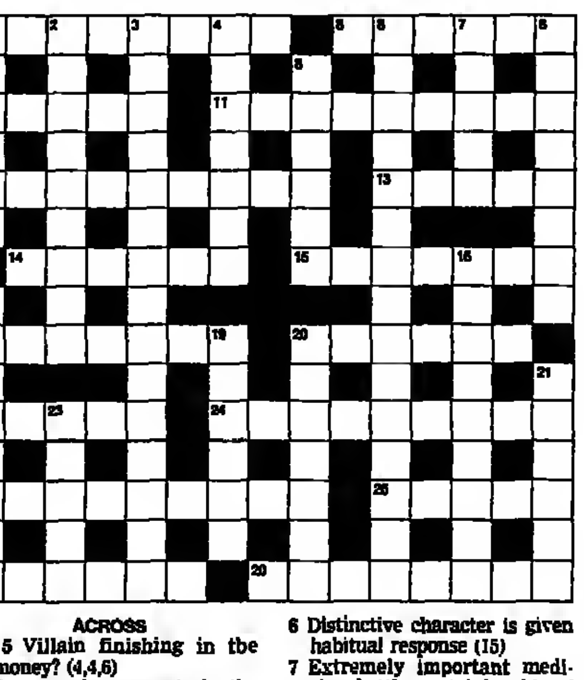
■ CRB Futures (Base: 1967=100)

Feb 7	Feb 6	month ago	year ago
231.51	231.96	233.87	227.23

JOTTER PAD

CROSSWORD

No.8,682 Set by QUARK



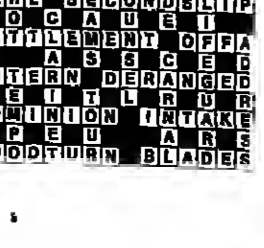
ACROSS

1, 5 Villain finishing in the money? (4,4,6)
10 Funny order one gets in the cricket club (5)
11 The mail's past it, as cheque could be? (9)
12 Vegetable – plump variety of pea (9)
13 Flow controller in revival? Very unlikely (5)
14 There's credit in laws being changed in rough writing (6)
15 Upright American – one in Sweden getting around (7)
16 The one in the old ship with no stern is an old astronomer (7)
20 Make it this to be quick and smart (6)
22 Put well down in school period out short (5)
24 Unusual info I cram like fruit on the vine (9)
25 Setting in s plot? (9)
26 Animal in fair I patted making a comeback (5)
27, 28 Breakage following a number of jars? (6,8)

DOWN

1 Millions in place as stand-ins? (6)
2 Manic rule's crazy expressed in figures (8)
3 He's presumably oo careers teacher! (4,2,3,6)
4 Plant fuel (liquid) promising success (7)
6 Distinctive character is given habitual response (15)
7 Extremely important medicine bottle cootaining bit of tablet (5)
8 Judge in grass case paid off (8)
9 Set out twice? That's fly! (6)
16 I'm unprepared but I'm not delayed at university (9)
17 Fruit floating on lake given unsightly appearance (6)
19 Hedged in by box – alison (a plant) (6)
20 Jellyfish in the drink? (7)
21 For example, army unit is sent up to become prominent (6)
23 Root for the instrument we hear (5)

Solution 8,681



European markets drift as attention turns to US

By Richard Lapper and Conner Middelmann in London and Lisa Bransten in New York

European government bond markets yesterday drifted marginally lower following gains in the last few days. Traders kept a wary eye on the US, where refunding auctions are under way.

■ In the UK, currency fears were blamed for a fall of $\frac{5}{32}$ of a point in the Liffe March long gilt future. The UK 10-year yield spread over the equivalent German government bond widened to 129 basis points, but remains firmly within its recent trading range of 125 to 135.

Analysts said gilt sales by continental European investors, many of whom were worried by political uncertainty, had offset recent rises in demand from domestic and to a lesser extent US fund managers. Mr Simon Briscoe, analyst with S.G. Warburg, said: "Continental investors have been least keen. We have seen selling related to currency weakness and political fears."

GOVERNMENT BONDS

Mr Nigel Richardson, head of bond research at Yamaichi International, said there had been some rapatriation of funds by UK investors, attracted by the weakness of sterling.

The market was barely affected by the release of an inflation report from the Bank of England.

■ Germany's yield curve steepened slightly with the short end boosted by comments from Mr Hans-Jürgen Krupp, a member of the Bundesbank's central bank council, and the long end slipping slightly following the issuance of new 10-year bonds and the breakdown of regional engineering wage talks.

On the supply front, the Bundesbank allotted DM3.77bn of its 7.375 per cent new year bond at 100.09 and above. Dealers reported good investor demand for the paper. The weighted average price was 100.10 and the average yield was 7.35 per cent. The central bank retained DM3.23bn of the bonds for market-tending purposes, bringing the total size of the tranche to DM7bn.

In the afternoon, the March bund future rose on domestic buying, breaching key resistance at 91.00 and rising as high as 91.08 on Liffe. However, in the absence of convincing follow-through buying, it slipped back to end at about 90.83, down 0.04 point on the day.

Dealers reported heavy activity in the medium-dated Bobl future on Germany's DTB. "Some people have been actively playing the spread between the March and June contracts," said a Frankfurt dealer.

At the very short end, the March three-month euromark future on Liffe rose by 0.03 point to 94.84 and the September contract closed at 94.11, up 0.06 point.

After the bund market's recent good run, some say further gains may be increasingly hard in the near term.

"With yields coming back towards the low end of the range, we will see a tougher test of end-investor demand," said Mr Julian Callow, international economist at Kleinwort Benson.

■ French bonds tracked Germany, though their yield premium over bunds widened by 1 basis point to 59 basis points.

Although the March notionnel future on Matif reached a new contract high at 112.46, it failed to break key resistance convincingly at 112.44, dealers said.

"Quite a lot of people are long and may be happy to take profits, so I wouldn't be surprised if we saw a small setback near-term," said a French dealer.

■ US Treasury prices were mostly flat yesterday morning as the dollar slipped and traders prepared to take on new supply at an afternoon auction of $12bn in 10-year bonds.

At midday the benchmark 30-year Treasury was unchanged at $98\frac{5}{32}$ to yield 7.638 per cent. At the short end, the two-year note rose $\frac{1}{32}$ to $100\frac{25}{32}$, yielding 7.153 per cent.

Long bonds were down in morning trading, but bounced back as the dollar moved slightly off its lows for the day against the yen. At noon the dollar was at Y98.94, against Y99.46 late on Tuesday.

The long end of the market was also held back by an afternoon auction that was to be the second leg of a three-part refunding operation, in which the Treasury department would sell $40bn in new bonds on to the market. On Tuesday the Treasury sold $17bn in three-year notes and it was to sell $11bn in 30-year bonds today.

There was modest demand at Tuesday's auction of three-year notes, but the market was concerned about the sale of longer term securities, especially with important economic data on producer and consumer prices due out on Friday and next Wednesday.

Until then they may be hesitant to buy longer-term securities for fear that inflation could erode the value of their investments.

Index launched to track rand paper

By Richard Lapper

A new index designed to track the market for liquid rand-denominated South African bonds was launched yesterday by J.P. Morgan, the US bank.

The index, which tracks total returns in both dollar and local currency terms, is designed to consolidate signs of growing international interest in South African markets.

Ms Elaine Small, head of local markets at J.P. Morgan, said: "The market is large, efficient and liquid. It has not so far demonstrated any of the volatility we have seen in other emerging markets."

Ms Jeanne Feldhusen, head of the bank's emerging markets research group, said: "Until now, international investors have not had a comprehensive benchmark for monitoring liquid rand-denominated South African bonds."

Investors in South African bond markets would have enjoyed a total dollar return of 16.4 per cent since its inception on June 30 1994 through to January 31 1995. Over the same period bonds issued by other governments have performed badly, with especially sharp falls in the weeks following Mexico's devaluation on December 20.

The J.P. Morgan Emerging Markets Bond Index (EMBI) shows a return of minus 1.95 per cent over the same seven-month period. The annualised volatility of the SABI index amounted to 17.8 per cent, compared with 29.1 per cent for the EMBI index.

The index comprises 16 bonds issued by the South African government and three companies partially owned by the state – Eskom, Transnet and Telkom.

The 16 issues included in the index have a face value of $36bn, compared with a total market outstanding of about $77bn.

All bonds in the index are quoted to international investors.

Syndicates detect a shift in investor sentiment

By Martin Brice

Eurobond issuance picked up yesterday in a variety of currencies. A number of syndicates reported enthusiastic buying, with some suggesting a change in market sentiment.

A $500m five-year deal from BankAmerica, callable at three years, re-opened the dollar floating-rate note sector. Joint bookrunners were HSBC and the former Kidder Peabody team under the name of PaineWebber. It was their first transaction as bookrunners since the merger.

Kidder Peabody had previously handled several FRNs for BankAmerica.

Mr Tim Skeet, of PaineWebber, said: "While there has been a glut of fixed-rate dollar paper since the beginning of the year, there has been no significant FRN issuance in the dollar market."

INTERNATIONAL BONDS

Institutional demand for the paper, which carried a coupon of three-month Libor plus 18.75 basis points, was strong, with the deal "substantially done" by the end of the day.

Late in the day, Walt Disney brought its expected $400m, five-year bond, which carried a 2 per cent coupon with additional interest linked to a portfolio of the company's films. Book-runner was CSFB, which said this was the third such bond from Disney.

Chugoku Electric Power raised $300m with its five-year deal carrying an 8 per cent coupon. Book runner Goldman Sachs said the deal tightened in to 36 basis points over the comparable Treasury, having been issued at 39 over.

Halifax, the UK building society, brought a FFr2bn three-year deal with a 7.5 per cent coupon via joint bookrunners SBS France and CDC. Around 60 per cent of the bonds were placed in France, with the rest placed in Germany, said CDC. The German demand was "not something we had expected". About 70 per cent of the bonds were placed within the first hour, said CDC. "This is a sign of something new in the euromarkets," it added.

Another UK building society, National & Provincial, raised £100m with a six-year FRN, carrying a coupon of Libor plus ⅛, callable after five years, via CSFB.

North Rhine Westphalia raised DM500m with a five-year offering carrying a 7 per cent coupon.

Joint bookrunners were Trinkaus & Burkhardt and ABN Amro Hoare Govett, which said that 95 per cent of the bonds were sold to Swiss and Benelux institutions, although the bond was technically a domestic issue.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
BankAmerica(a)‡	500	(a1)	99.915R	Feb.2000	0.175R	-	HSBC Markets/ PaineWebber
Walt Disney Co.(b,c)	400	2.00#	100.00R	Mar.2000	2.50R	-	CS First Boston
Chugoku Electric Power	300	8.00	100.112R	Feb.2000	0.275R	+39(7¾%-00)	Goldman Sachs International
Bayerische Landesbank(d)	100	7.75	101.6875	Dec.1997	1.375	-	Lehman Brothers Intl.
STERLING							
National & Provincial B/S(e)‡	100	(e1)	99.88R	Mar.2001	0.15R	-	CS First Boston
D-MARKS							
North Rhine Westphalia(b)	500	7.00	99.50R	Jun.2000	0.25R	-	ABN Amro(D'ech.)/Trinkaus
FRENCH FRANCS							
Halifax Building Society	2bn	7.50	100.00R	Mar.1998	0.20R	+20(f)	CDC/ SBS France
SWISS FRANCS							
Republic of Austria	300	5.50	102.875	Mar.2005	2.75	-	Credit Suisse
European Sovereign Invs.(g)*	150	5.50	102.00	Sep.1998	1.375	-	Credit Suisse
Depfa Bank*	150	5.25	102.25	Mar.1998	1.375	-	UBS
LUXEMBOURG FRANCS							
Bacob Overseas(b,h)	2bn	8.00	102.75	Jun.1999	1.625	-	Bacob Bank Luxembourg

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable on any coupon date from Feb.98 at par. a1) 3-mth Libor +$\frac{3}{16}$%. b) Long 1st coupon. c) Contingent interest linked to a portfolio of "live action" films. d) Fungible with $500m. Plus 63 days accrued. e) Callable on any coupon date from Mar.00 at par. e1) 3-mth Libor +⅛%. f) Over interpolated yield. g) Short 1st coupon. h) Issue launched 26/1/95 was increased to LFr6bn.

ISDA highlights sharp rise in derivatives volume

By Laurie Morse in Chicago

The International Swaps and Derivatives Association (ISDA) said volume in privately negotiated swaps and related derivatives transactions represented a notional principal value of $4,200bn between January and June of 1994, double the volume in the first half of 1993.

The organisation released the figures as part of its biannual market survey of derivatives activity. The survey, conducted for ISDA by Arthur Andersen includes data from 85 financial institutions in 17 countries. In 1993, 71 firms took part in the survey.

Notional value is based on cash flows between swaps counterparties. Capital at risk in such trades is considered to be 2 to 3 per cent of that value. During the first half of 1994, interest rate swaps accounted for $3,180bn in notional principal of the overall surveyed volume, compared with $1,900bn in the first half of 1993. Volumes in foreign currency swaps grew more slowly, to $181bn from $157bn in the comparable year-ago period. Activity in related transactions – caps, collars, floors and swaptions – amounted to $850.2bn in new transactions, up from $510bn the previous year.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	08/04	93.0900	+0.280	10.14	10.21	10.00
Austria		7.500	01/05	99.2000	+0.070	7.62	7.70	7.68
Belgium		7.750	10/04	96.8300	-0.080	8.21	8.32	8.41
Canada *		9.000	12/04	100.5000	+0.150	8.92	9.18	9.10
Denmark		7.000	12/04	88.2700	-0.100	8.83	8.93	9.12
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	96.8600	+0.040	7.95	8.08	8.24
Germany Bund		7.375	01/05	99.9700	-0.060	7.38	7.43	7.55
Ireland		6.250	10/04	84.0500	+0.100	8.79†	8.79	8.96
Italy		8.500	01/05	86.5600	-0.010	11.84	11.98	11.96
Japan	No 119	4.800	06/99	103.0570	-	3.99	4.00	3.83
	No 164	4.100	12/03	96.5520	+0.030	4.65	4.68	4.55
Netherlands		7.250	10/04	98.0600	-0.010	7.53	7.60	7.80
Portugal		8.875	01/04	84.5000	+0.500	11.65	11.64	11.83
Spain		10.000	02/05	90.8400	-0.320	11.51	11.71	11.88
Sweden		6.000	02/05	71.8000	-0.140	10.74	10.86	10.84
UK Gilts		8.000	06/98	21-02	-3/32	8.44	8.49	8.70
		8.500	12/05	100-03	-2/32	8.49	8.55	8.75
		9.000	10/08	104-05	-4/32	8.48	8.53	8.70
US Treasury *		7.875	11/04	102-13	-4/32	7.52	7.59	7.81
		7.500	11/24	96-10	-7/32	7.84	7.70	7.84
ECU (French Govt)		6.000	04/04	85.0500	-0.070	8.39	8.50	8.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax of 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.77	Two year	7.10
Prime rate	0	Two month	6.06	Three year	7.35
Broker loan rate	6½	Three month	5.98	Five year	7.44
Fed.funds	5$\frac{15}{16}$	Six month	6.36	10-year	7.54
Fed.funds at intervention	-	One year	6.77	30-year	7.65

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.24	112.26	-0.08	112.46	112.10	129,509	147,788
Jun	111.40	111.38	-0.08	111.58	111.30	4,409	6,939
Sep	110.68	110.66	-0.08	110.70	110.66	232	1,630

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
109	-	-	-	0.02	0.57	-
110	2.30	-	-	0.05	0.82	1.66
111	1.38	-	-	0.13	1.17	-
112	0.64	1.08	-	0.38	-	-
113	0.20	0.68	-	0.92	-	-

Est. vol. total, Calls 21,488 Puts 22,300 . Previous day's open int., Calls 178,271 Puts 181,006.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.85	90.81	-0.06	91.00	90.75	152885	221299
Jun	90.32	90.25	-0.09	90.45	90.23	3261	6184

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9050	0.54	0.54	0.74	0.90	0.23	0.79	0.96	1.15
9100	0.27	0.37	0.54	0.69	0.46	1.12	1.29	1.44
9150	0.12	0.23	0.38	0.52	0.81	1.48	1.63	1.77

Est. vol. total, Calls 21249 Puts 19074. Previous day's open int., Calls 204693 Puts 154366

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.59	100.64	-0.05	100.76	100.44	24477	55158
Jun	99.65	99.76	-0.02	99.65	99.65	49	1381

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
10050	0.58	1.47	0.44	2.21
10100	0.35	1.24	0.71	2.48
10150	0.12	1.03	1.05	2.77

Est. vol. total, Calls 737 Puts 1947. Previous day's open int., Calls 30909 Puts 28274

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	85.70	85.35	-0.33	85.85	85.22	72,030	45,620
Jun	-	84.93	-	-	-	85	871

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	102-19	102-13	-0-05	102-25	102-10	72939	101199
Jun	102-26	102-19	-0-06	102-27	102-18	57	2587

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
102	0-50	2-02	0-24	1-28
103	0-18	1-33	0-57	1-59
104	0-05	1-05	1-43	2-31

Est. vol. total, Calls 12987 Puts 8649. Previous day's open int., Calls 49302 Puts 55228

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	82.20	82.14	-0.06	82.32	82.10	3,738	7,327
Jun	81.98	81.90	-0.04	81.98	81.92	700	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	102-09	102-08	-0-02	102-15	102-06	279,923	350,518
Jun	101-26	101-25	-0-01	101-30	101-21	5,395	37,211
Sep	101-11	101-14	-	101-14	101-11	106	5,943

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.59			108.71	108.54	2184	0
Jun	107.85			107.96	107.83	233	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Feb 8	Day's change %	Tue Feb 7	Accrued interest	xd adj. ytd		Low coupon yield Feb 8	Low Feb 7	Low Yr. ago	Medium coupon yield Feb 8	Medium Feb 7	Medium Yr. ago	High coupon yield Feb 8	High Feb 7	High Yr. ago
1 Up to 5 years (23)	119.40	+0.05	119.34	1.77	1.40	5 yrs	8.46	8.46	5.91	8.49	8.48	6.17	8.67	8.65	6.28
2 5-15 years (22)	140.43	-0.09	140.55	1.99	1.59	15 yrs	8.39	8.37	6.76	8.50	8.49	6.84	8.73	8.69	7.03
3 Over 15 years (9)	156.55	-0.18	156.83	0.99	2.96	20 yrs	8.36	8.34	6.86	8.50	8.49	6.84	8.60	8.59	7.04
4 Irredeemables (6)	180.42	-0.10	180.60	2.80	0.00	Irred.†	8.42	8.41	6.94						
5 All stocks (60)	137.22	-0.06	137.30	1.73	1.74										

Index-linked							Inflation 5% Feb 8	Feb 7	Yr. ago	Inflation 10% Feb 8	Feb 7	Yr. ago
6 Up to 5 years (2)	186.92	-0.03	186.99	0.37	1.45	Up to 5 yrs	3.72	3.69	2.38	2.47	2.43	1.55
7 Over 5 years (11)	174.88	-0.24	175.30	0.72	0.59	Over 5 yrs	3.87	3.85	3.06	3.68	3.68	2.89
9 All stocks (13)	175.44	-0.22	175.82	0.69	0.66							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 8	Feb 7	Feb 6	Feb 3	Feb 2	Yr ago	High*	Low*
Govt. Secs. (UK)	91.80	92.12	91.37	91.23	91.38	104.11	107.04	89.54
Fixed Interest	110.45	109.74	109.67	109.56	109.62	128.67	233.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 7	Feb 6	Feb 3	Feb 2	Feb 1
Gilt Edged bargains	96.4	81.7	94.5	102.5	87.2
5-day average	92.5	92.7	95.6	97.8	98.5

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
Shorts (Lives up to Five Years)						
[illegible]						
Index-Linked						
[illegible]						

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on February 8

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 00	1000	90	90¼		8.21
[illegible]					
United Kingdom 7⅛ 97	5500	101½	101⅝	+¼	6.48
Volkswagen Intl Fin 7 03	1000	95¼	95¾	+¼	7.76
Abbey Natl Treasury 0 03 £	1600	93	93¼	+⅛	9.25
Alliance Leics 11⅞ 97 £	100	105⅝	106⅛	+⅛	8.60
[illegible]					

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Sterling wobbles on renewed political worries

Sterling lost further ground yesterday as jittery markets took fright at rumours that the ruling Conservative party was preparing for elections, *writes Philip Gawith.*

After opening at DM2.3884, the pound was sold off in the morning, before stabilising to close in London at DM2.3778, a five-and-a-half month low. It was also slightly weaker against the dollar, finishing at $1.5529, from $1.5573.

Elsewhere, the dollar suffered at the hands of a stronger yen. It finished at Y98.825, from Y99.365. It also lost ground against the D-Mark, to finish at DM1.5312 from DM1.5355.

In Europe the peseta made gains against the D-Mark, finishing at Pta85.95, from Pta86.20. The Spanish state of the nation debate provided little trading direction, with Mr Felipe Gonzalez, the prime minister, repeating his intention to govern to the end of his term.

■ Overnight stories about the Conservative central office cutting back staff, prompted rumours that the party was building a war-chest for a general election. It was these fears which took the rug from under sterling.

They were later compounded by the fairly benign Bank of England quarterly inflation report. The market concluded that this meant UK interest rates would rise less than had been anticipated. Sterling also fell below key chart levels, and this intensified selling pressure.

Mr Keith Edmonds, chief analyst at IBJ International in London, commented: "The Bank of England highlighted the risks of inflation rising. That sort of picture is not favourable for sterling if we have an unsettled political backdrop."

"The market believes the government would be less willing to sanction further pre-emptive strikes on the interest rate side."

Mr Adrian Cunningham, senior currency economist at UBS in London, said there had been buying interest for sterling at DM2.375. He said the market was currently dominated by interbank selling, rather than customer interest.

He added, however, that the outlook for sterling was, if anything, "getting worse rather than better."

One of the beneficiaries of sterling weakness has been the Irish punt. After trading for a long while in tha I£1.1-I£1.2 range, against the pound, it recently broke under I£1.1 and has steadily been approaching parity. It finished at I£1.0058, from I£1.0089.

The firmer punt did not appear to have been triggered by the details of the Irish budget, most of which had been leaked in the Irish media before it was formally presented yesterday.

One factor that could cause money to flow back towards sterling is the interest rate differential. Irish three month money is currently around 6½ per cent, 50 basis points below rates in the UK.

■ The trend towards yen strength seemed to explain the weaker tone to the dollar. Mr Edmonds at IBJ said the stronger yen appeared to be technically driven, with the D-Mark/Yen rate having breached a significant technical point at Y64.7. It finished at Y64.55. Breach of this level had intensified dollar selling, said Mr Edmunds.

The D-Mark has lost ground over the past week following the announcement of e Mexican support package. For most of January it had been the beneficiary of safe-haven flows, against a backdrop of financial market uncertainty, prompted by the Mexican crisis.

Details of the Japanese trade and current account performance in 1994 had heen released earlier in the day. Although the current account showed a very large surplus – $129.33bn in 1994, compared to $131bn in 1993 – this was in line with market expectations, so should not have provided much impetus to the yen.

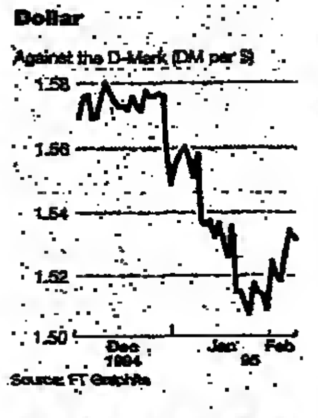
Indeed, analysts at New Japan Securities in London argued that the underlying surplus was slowly diminishing in dollar terms, with import volumes greatly exceeding export volumes. This should support the dollar.

Figures on Japanese capital flows in 1994 were also in line with market forecasts.

■ The Bank of England provided UK money markets with late assistance of £575m. Earlier it had provided £176m, after forecasting a £850m shortage.

The Bank will today provide £854m by way of repo and secured loan facilities, at an interest rate of 6$\frac{3}{16}$ per cent.

Dollar



Source: FT Graphite

■ Pound in New York

Feb 8	Latest	Prev. close
£ spot	1.5535	1.5585
1 mth	1.5529	1.5580
3 mth	1.5517	1.5547
1 yr	1.5452	1.5485

■ OTHER CURRENCIES

Feb 8	£	$
Hungary	177.217 - 177.464	114.150 - 114.250
Iran	2728.00 - 2729.00	1749.00 - 1750.00
Kuwait	0.4645 - 0.4649	0.2992 - 0.2993
Poland	3.8044 - 3.8071	2.4505 - 2.4518
Russia	6502.54 - 6658.83	4188.00 - 4288.00
U.A.E.	5.7011 - 5.7048	3.6722 - 3.6727

POUND SPOT FORWARD AGAINST THE POUND

Feb 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.7457	-0.0841	375 - 538	16.8357	16.7212	16.7382	0.9	16.6995	1.1	-	-	105.4
Belgium	(BFr)	48.9544	-0.2485	278 - 810	49.2370	48.8780	48.9044	1.2	48.7894	1.3	48.3294	1.3	107.2
Denmark	(DKr)	9.3555	-0.0529	507 - 602	9.4313	9.3515	9.3497	0.7	9.3383	0.7	9.3008	0.6	108.8
Finland	(FM)	7.3356	-0.0395	283 - 428	7.3920	7.3283	-	-	-	-	-	-	84.3
France	(FFr)	8.2260	-0.0505	213 - 288	8.2835	8.2105	8.2179	1.0	8.205	1.0	8.1352	1.1	107.4
Germany	(DM)	2.3778	-0.0194	767 - 789	2.3998	2.3747	2.3749	1.5	2.3681	1.6	2.3337	1.9	109.1
Greece	(Dr)	371.378	-2.197	203 - 548	373.752	371.095	-	-	-	-	-	-	68.9
Ireland	(I£)	1.0058	-0.0031	052 - 063	1.0093	1.0040	1.0055	0.4	1.0052	0.2	1.0038	0.2	97.0
Italy	(L)	2508.01	-10.14	659 - 943	2526.11	2505.59	2511.51	-1.7	2521.11	-2.1	2565.56	-2.3	73.6
Luxembourg	(LFr)	48.9544	-0.2485	278 - 810	49.2370	48.8780	48.9044	1.2	48.7894	1.3	48.3294	1.3	107.2
Netherlands	(Fl)	2.6658	-0.014	647 - 669	2.6823	2.6620	2.6626	1.4	2.6551	1.6	2.6197	1.7	107.1
Norway	(NKr)	10.4029	-0.0547	979 - 079	10.4881	10.3963	10.4017	0.1	10.3999	0.1	10.3915	0.1	98.1
Portugal	(Es)	245.141	-1.395	000 - 282	246.896	244.960	245.741	-2.9	247.391	-3.7	-	-	96.5
Spain	(Pta)	204.470	-1.662	340 - 601	206.479	204.335	204.77	-1.8	205.57	-2.2	209.425	-2.4	79.4
Sweden	(SKr)	11.5782	-0.0448	681 - 882	11.6542	11.5681	11.5897	-1.2	11.6157	-1.3	11.7262	-1.3	81.0
Switzerland	(SFr)	2.0110	-0.0147	097 - 123	2.0266	2.0097	2.0066	2.6	1.9971	2.6	1.9514	3.0	108.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	87.3
Ecu	-	1.2596	-0.007	587 - 604	1.2681	1.2587	1.259	0.8	1.2577	0.6	1.2518	0.6	-
SDR†	-	0.940024	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5530	-0.0044	525 - 535	1.5601	1.5506	-	-	-	-	-	-	-
Brazil	(Cr)	1.2967	-0.0052	948 - 986	1.3027	1.2948	-	-	-	-	-	-	-
Canada	(C$)	2.1686	-0.0039	676 - 696	2.1795	2.1651	2.171	-1.3	2.1763	-1.4	2.1882	-0.9	82.3
Mexico	(New Peso)	8.3003	-0.0157	593 - 412	8.2997	8.2389	-	-	-	-	-	-	-
USA	($)	1.5529	-0.0044	525 - 533	1.5601	1.5504	1.5524	0.4	1.5512	0.5	1.5449	0.5	95.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0857	-0.0025	845 - 869	2.0863	2.0835	2.0877	-1.2	2.0931	-1.4	2.1252	-1.9	86.4
Hong Kong	(HK$)	12.0058	-0.0321	019 - 096	12.0596	11.9877	12.0048	0.1	12.0313	-0.8	11.9311	0.6	-
India	(Rs)	48.7067	-0.1458	903 - 231	48.9330	48.6920	-	-	-	-	-	-	-
Israel	(Shk)	4.6968	-0.0122	918 - 020	4.7152	4.6609	-	-	-	-	-	-	-
Japan	(Y)	153.465	-1.278	387 - 544	155.040	153.220	152.935	4.1	151.78	4.4	145.905	4.9	149.3
Malaysia	(M$)	3.9607	-0.0144	589 - 625	3.9825	3.9553	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4643	-0.002	627 - 658	2.4652	2.4616	2.4676	-1.6	2.4778	-2.2	2.5113	-1.9	98.0
Philippines	(Peso)	38.3567	-0.2644	138 - 995	38.5274	38.1139	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8238	-0.0164	220 - 255	5.8512	5.8146	-	-	-	-	-	-	-
Singapore	(S$)	2.2606	-0.0162	592 - 619	2.2780	2.2588	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5163	-0.011	137 - 188	5.5360	5.5031	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.1495	-0.0564	324 - 666	6.2038	6.1324	-	-	-	-	-	-	-
South Korea	(Won)	1227.96	-2.54	756 - 835	1233.57	1226.06	-	-	-	-	-	-	-
Taiwan	(T$)	40.8293	-0.109	160 - 425	41.0236	40.7662	-	-	-	-	-	-	-
Thailand	(Bt)	38.9235	-0.1258	057 - 412	39.1270	38.8840	-	-	-	-	-	-	-

†SDR rates for Feb 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.7835	-0.0235	810 - 860	10.8030	10.7640	10.7995	0.8	10.7562	1.0	10.6235	1.5	106.2
Belgium	(BFr)	31.5245	-0.0705	155 - 335	31.6000	31.4700	31.502	0.9	31.4495	1.0	31.2295	0.9	106.6
Denmark	(DKr)	6.0245	-0.017	230 - 260	6.0550	6.0191	6.0227	0.3	6.0195	0.3	6.0095	0.2	105.7
Finland	(FM)	4.7238	-0.012	203 - 272	4.7448	4.7198	4.721	0.7	4.7168	0.6	4.7063	0.4	83.2
France	(FFr)	5.2965	-0.0175	955 - 975	5.3198	5.2920	5.2939	0.6	5.2899	0.5	5.269	0.5	106.8
Germany	(DM)	1.5312	-0.0043	309 - 315	1.5374	1.5288	1.5299	1.0	1.5268	1.1	1.5115	1.3	108.3
Greece	(Dr)	239.150	-0.735	100 - 200	239.870	239.000	242.15	-15.1	248.6	-13.0	259.3	-8.4	68.2
Ireland	(I£)	1.5440	+0.0004	435 - 444	1.5471	1.5403	1.5442	-0.1	1.5438	0.1	1.543	0.1	-
Italy	(L)	1615.05	-1.95	455 - 555	1620.65	1613.20	1617.8	-2.0	1624.85	-2.4	1657.05	-2.6	73.3
Luxembourg	(LFr)	31.5245	-0.0705	155 - 335	31.6000	31.4700	31.502	0.9	31.4495	1.0	31.2295	0.9	106.8
Netherlands	(Fl)	1.7167	-0.0041	164 - 169	1.7213	1.7138	1.7152	1.0	1.7116	1.2	1.6928	1.4	108.6
Norway	(NKr)	6.6990	-0.0162	975 - 005	6.7240	6.6915	6.6947	0.8	6.6885	0.6	6.6465	0.8	97.0
Portugal	(Es)	157.860	-0.45	810 - 910	158.400	157.700	158.245	-2.9	159.285	-3.8	163.715	-3.7	95.4
Spain	(Pta)	131.670	-0.895	620 - 720	132.500	131.600	131.9	-2.1	132.49	-2.5	135.265	-2.7	78.7
Sweden	(SKr)	7.4559	-0.0077	513 - 604	7.4863	7.4493	7.4657	-1.8	7.4869	-1.7	7.5749	-1.8	80.4
Switzerland	(SFr)	1.2950	-0.0058	945 - 955	1.3018	1.2935	1.2924	2.4	1.2875	2.3	1.2612	2.8	107.3
UK	(£)	1.5529	-0.0044	525 - 533	1.5601	1.5504	1.5524	0.4	1.5512	0.5	1.5449	0.5	87.3
Ecu	-	1.2328	+0.0033	324 - 334	1.2339	1.2296	1.2331	-0.2	1.2336	-0.2	1.2365	-0.3	-
SDR†	-	1.48484	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-	000 - 001	1.0000	1.0001	-	-	-	-	-	-	-
Brazil	(Cr)	0.8350	-0.001	340 - 360	0.8360	0.8340	-	-	-	-	-	-	-
Canada	(C$)	1.3965	+0.0014	962 - 968	1.3992	1.3961	1.3984	-1.7	1.4027	-1.8	1.4143	-1.3	81.5
Mexico	(New Peso)	5.3450	+0.005	200 - 700	5.3700	5.3200	5.3458	-0.2	5.3462	-0.1	5.3478	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3430	+0.0021	427 - 436	1.3438	1.3373	1.3448	-1.7	1.3494	-1.8	1.3742	-2.3	87.9
Hong Kong	(HK$)	7.7312	+0.0012	307 - 317	7.7320	7.7307	7.7324	-0.2	7.7334	-0.1	7.7382	-0.1	-
India	(Rs)	31.3650	-0.005	625 - 675	31.3725	31.3675	31.445	-3.1	31.89	-4.1	-	-	-
Israel	(Shk)	3.0246	+0.0007	221 - 271	3.0300	3.0028	-	-	-	-	-	-	-
Japan	(Y)	98.8250	-0.54	000 - 500	99.4800	98.7500	98.535	3.5	97.835	4.0	94.3	4.8	149.4
Malaysia	(M$)	2.5505	-0.002	500 - 510	2.5532	2.5500	2.5485	0.9	2.544	1.0	2.528	0.9	-
New Zealand	(NZ$)	1.5868	+0.0033	863 - 876	1.5877	1.5802	1.5895	-2.0	1.5971	-2.6	1.6238	-2.3	-
Philippines	(Peso)	24.7000	-0.1	500 - 500	24.8500	24.5500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	+0.0001	501 - 504	3.7505	3.7501	3.7529	-0.8	3.7582	-0.8	3.7676	-0.5	-
Singapore	(S$)	1.4557	-0.0063	552 - 562	1.4630	1.4545	1.4507	4.1	1.4454	2.8	1.422	2.3	-
S Africa (Com.)	(R)	3.5523	+0.003	515 - 530	3.5530	3.5485	3.5673	-5.1	3.5983	-5.2	3.7543	-5.7	-
S Africa (Fin.)	(R)	3.9600	-0.025	500 - 700	3.9950	3.9500	3.9875	-8.3	4.0375	-7.8	4.27	-7.8	-
South Korea	(Won)	790.750	+0.5	700 - 800	790.800	790.000	793.75	-4.6	797.25	-3.3	815.75	-3.2	-
Taiwan	(T$)	26.2823	+0.0043	805 - 840	26.3050	26.2805	26.3123	-0.9	26.3523	-0.8	-	-	-
Thailand	(Bt)	25.0650	-0.01	600 - 700	25.0850	25.0600	25.0775	-0.6	25.0915	-0.4	25.1175	-0.2	-

†SDR rate for Feb 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 7. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 8	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅜	5⅝	5¾	6¼	7.40	4.50	-
week ago	4⅞	5⅜	5⅝	5⅞	6⅜	7.40	4.50	-
France	5⅞	5½	5⅝	6	6⅜	5.00	-	6.40
week ago	5⅜	5½	5⅞	6⅛	6⅝	5.00	-	6.40
Germany	4.93	4.95	5.05	5.25	5.70	6.00	4.50	4.85
week ago	4.96	4.96	5.05	5.25	5.70	6.00	4.50	4.85
Ireland	5⅛	5⅝	6⅛	6⅞	7⅝	-	-	6.25
week ago	5⅜	5⅝	6¼	6⅞	7⅝	-	-	6.25
Italy	8⅝	8⅝	8⅞	9⅜	9⅞	-	7.50	8.20
week ago	8⅝	8⅝	8⅞	9⅝	10⅛	-	7.50	8.20
Netherlands	4.84	5.00	5.15	5.29	5.76	-	5.25	-
week ago	4.84	5.00	5.12	5.33	5.82	-	5.25	-
Switzerland	3⅛	3⅝	3⅞	4⅛	4½	6.625	3.50	-
week ago	3⅝	3⅝	4	4¼	4⅝	6.625	3.50	-
US	6	6⅛	6¼	6⅝	7⅛	-	5.25	-
week ago	5⅞	6⅛	6¼	6⅝	7⅛	-	5.25	-
Japan	2⅛	2⅛	2⅛	2⅛	2¼	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2¼	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6¼	6⅝	7⅛	-	-	-
week ago	-	6⅛	6⅜	6⅝	7¼	-	-	-
US Dollar CDs	-	5.92	6.04	6.31	6.89	-	-	-
week ago	-	5.92	6.06	6.38	6.97	-	-	-
SDR Linked Ds	-	4.625	4.812	5.125	5.687	-	-	-
week ago	-	4.625	4.612	5.125	5.687	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 6; 6 mths: 6⅝; 1 year: 6⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 5	5⅛ - 5	5¼ - 5⅛	[illegible]	[illegible]	6⅛ - 6¼
Danish Krone	5¼ - 5	5⅝ - 5½	5⅞ - 5⅝	6¼ - 6	6¾ - 6⅝	[illegible]
D-Mark	5 - 4⅞	[illegible]	[illegible]	[illegible]	5¼ - 5⅛	5¾ - 5⅝
Dutch Guilder	[illegible]	[illegible]	5⅛ - 5	[illegible]	5⅜ - 5¼	[illegible]
French Franc	5⅜ - 5¼	[illegible]	5½ - 5⅜	[illegible]	6 - 5⅞	[illegible]
Portuguese Esc.	8¾ - 8½	8⅞ - 8⅝	9⅜ - 7⅞	10 - 9¾	10½ - 10¼	11 - 10⅝
Spanish Peseta	[illegible]	8 - 7⅞	8⅛ - 8	8⅝ - 8½	9 - 8⅞	10 - 9⅞
Sterling	7 - 6⅞	6½ - 6⅜	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	3⅜ - 3¼	3½ - 3⅜	[illegible]	[illegible]	[illegible]	4½ - 4⅜
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8⅜ - 8¼
US Dollar	[illegible]	[illegible]	6⅛ - 6	[illegible]	[illegible]	[illegible]
Italian Lira	9 - 7½	[illegible]	8⅜ - 8¼	8¾ - 8⅝	9¾ - 9½	10 - 9⅞
Yen	2¼ - 2⅛	2¼ - 2⅛	2¼ - 2⅛	[illegible]	[illegible]	[illegible] - 2½
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	3⅝ - 3½	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.07	94.05	-	94.06	94.03	13,423	49,675
Jun	93.94	93.62	-0.01	93.64	93.59	12,716	40,202
Sep	93.30	93.30	-0.02	93.31	93.25	5,219	34,399
Dec	92.99	92.95	+0.03	93.00	92.95	3,786	18,629

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		93.58	0.02			0	1537
Jun		93.03	0.01			0	523
Sep		92.68	-0.01			0	177
Dec		92.34	-0.01			0	200

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.80	94.83	+0.02	94.85	94.80	21207	191335
Jun	94.44	94.48	+0.03	94.51	94.43	49901	185900
Sep	94.04	94.10	+0.05	94.14	94.02	27658	106852
Dec	93.63	93.71	-0.06	93.73	93.62	14038	80967

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.98	90.98	-0.05	91.01	90.93	6902	34875
Jun	90.25	90.26	-0.05	90.31	90.24	3429	27932
Sep	89.85	89.83	-0.04	89.88	89.83	1324	25294
Dec	89.53	89.50	-0.04	89.53	89.50	192	14558

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.92	95.86	-0.05	95.98	95.86	5467	16763
Jun	95.60	95.58	-0.03	95.65	95.57	4087	15938
Sep	95.34	95.32	-0.02	95.35	95.29	375	6184
Dec	95.09	95.06	-0.01	95.09	95.06	336	5531

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.72	93.78	+0.06	93.77	93.72	773	9878
Jun	93.24	93.30	+0.06	93.30	93.24	560	6273
Sep	92.84	92.86	+0.05	92.87	92.83	185	3864
Dec	92.43	92.46	+0.04	92.46	92.43	167	1850

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.11	16.80	4.858	2.055	5124	5.446	21.25	500.7	417.9	23.66	4.108	2.043	4.429	3.173	313.6	2.572
Denmark	(DKr)	52.32	10	8.792	2.542	1.075	2681	2.850	11.12	262.0	218.5	12.38	2.150	1.069	2.317	1.660	164.1	1.346
France	(FFr)	59.51	11.37	10	2.891	1.223	3049	3.241	12.64	298.0	248.5	14.08	2.445	1.216	2.636	1.888	186.6	1.531
Germany	(DM)	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	(I£)	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	(L)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	(Fl)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	(NKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Es)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Pta)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(SKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(SFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	(£)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]
Canada	(C$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]
US	($)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]
Japan	(Y)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100	[illegible]
Ecu		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

Certs of Tax dep. (£100,000) [illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

Also traded on APT. All Open interest figs. are for previous day

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

BASE LENDING RATES

[illegible]

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or −	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf.		97	−1	117	88½	12.1	10.3	–
9¼pc Non-Cum Pf		117¾	−½	137½	107	42.1	10.4	–
Cater Allen	♣†N□	443	—	*530½	438	144.4	6.0	9.1
Close Bros	♣N	223	—	*285½	203	212.3	4.2	19.1
Gerrard & Nat	♣†N□	497	−1	516	385	227.4	8.4	13.5
Hambros	♣N□	228	—	473	209	420.1	7.9	14.6
7½pc Cv Pf		109½	—	197	99½	138.8	8.6	–
Joseph (L)	♣†N	393	—	443	393	26.8	5.6	11.4
King & Shaxson	♣N	87	—	175	98	16.9	11.8	9.8
Kleinwort Benson	♣†N□	627	+7	693	424	896.4	3.8	11.1
Rea Bros	♣†N□	64	—	79	53	26.8	1.9	17.9
Schroders	♣†N□	1523	+40	1674	1050	1,523	1.5	18.8
N/V	†N	1368	+33	1498	1043	398.7	1.7	12.5
Singer & Fried	♣†N□	88	—	114	75	165.1	4.8	10.9
Union	♣†N□	96	—	*199	87	23.4	0.4	8.1
Warburg (SG)	♣N□	736	−12	1012	589	1,919	3.7	13.5
Wintrust	♣†N	283	—	330	203	19.4	5.9	16.6

BANKS, RETAIL

	Notes	Price	+ or −	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22½	+⅛	£25⅝	£19⅞	8,849	5.1	8.6
ANZ A$		225	+4	278½	171	3,045	5.9	7.8
Abbey National	†N□	433	+4	523	390½	5,651	4.5	14.9
Allied Irish IE	♣†N□	279	—	314	233	1,798	4.7	18.4
Anglo Irish IE	N□	61	—	*79	60	175.5	8.7	10.3
Asahi 1	□	742¼	−8½	819¼	628	17,247	8.6	ф
Banco Bil Viz Pta	□	£16¾	−⅛	27	£14⅛	3,793	5.1	7.3
Banco Sant Pta		£23¾	—	*£29½	£23¼	3,608	6.0	8.3
Bk Ireland IE	†N□	310	—	*319	246	1,473	4.7	9.0
Bank Scotland	♣†N□	207	+1	247	172½	2,424	3.2	11.7
9¼pc Pf		119½	—	141½	106	119.5	9.7	–
9¼pc Pf		128¼	−⅛	149½	111¼	125.2	8.7	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

صكنا من الاهل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- Rule 2.1(4)(a) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

[illegible]

Jupiter Tyndall (Bermuda) Ltd

[illegible]

Orion Fund Limited

[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

[illegible]

Hambros Fd Mgrs (CI) Ltd

[illegible]

Kleinwort Benson Intl Fd Mgrs Ltd

[illegible]

Lazard Freres Asset Management (CI) Ltd

[illegible]

Lazard Fund Mngrs - Contd.

[illegible]

Lloyds Intl Money Market Fund Ltd

[illegible]

M & G (Guernsey) Ltd

[illegible]

Prudential Fund Managers (Guernsey) Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Magnet Co (Guernsey) Ltd

Apollo Investment Management Ltd

[illegible]

Bank of Bermuda (Guernsey) Ltd

[illegible]

Barings Management (Guernsey) Ltd

[illegible]

CIBC Fund Managers (Guernsey) Ltd

[illegible]

Dartmouth Management (Guernsey) Ltd

Global Portfolio Management (Guernsey) Ltd

Guernsey Capital Management Limited

Hambros Fund Managers (CI) Ltd

[illegible]

Lazard Fund Managers (Guernsey) Ltd

[illegible]

Lazard Freres Asset Management (CI) Ltd

[illegible]

Lloyds Bank Fund Managers (Guernsey) Ltd

[illegible]

Merrill Lynch Guernsey

[illegible]

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

[illegible]

The Fidelity Trust Global Fund

[illegible]

GAM Fund Management Ltd

[illegible]

Singer & Friedlander Inv Funds Ltd - Contd.

[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

[illegible]

Baring International Fd Mgrs (Ireland) Ltd

[illegible]

[illegible]

Yield Korea Fund

[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

[illegible]

Ashburton Global Funds Ltd (1200)

[illegible]

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

[illegible]

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds

[illegible]

Concerto Ltd

Coutts & Co (Jersey) Fund Managers Ltd

[illegible]

Fleming Group

[illegible]

Lombard Odier (Jersey) Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

[illegible]

Commercial Union Luxembourg SA - Contd.

[illegible]

Midland Intl Circuit Fund SICAV(a)

[illegible]

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (a)

[illegible]

Alliance Capital

[illegible]

صكذا من الاصل

OFFSHORE INSURANCE

هكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Credis Investment Funds - Contd.				
[illegible]				
Nikko Bank - Contd.				
Income Alpha Fund				
Portfolio B Shs	$102.74		-	-
**Prices as of February 7.				
Nomura Asian Infrastructure Fd SICAV				
NAV	$18.78		-0.02	-
Nomura Rosenberg Alpha Fund Mark II				
[illegible]				
Pacific Basin Growth Fund				
[illegible]				
Pan-Holding SA				
[illegible]				
Rosenberg Global Mngt Co SA (u)				
[illegible]				
Rosenberg Management SA (u)				
[illegible]				
Rosenberg US Japan Mngmt Co SA (u)				
[illegible]				
Edmond de Rothschild Group				
[illegible]				
SCI/TECH SA				
SCI/Tech NAV	$19.00		-0.06	-
CMI Insurance Co Ltd - Contd.				
[illegible]				
Century Life International				
[illegible]				
Eagle Star Intl Life				
[illegible]				
Equitable Life (International)				
[illegible]				

OFFSHORE INSURANCES

	Selling Price	Buying Price	+ or -	Yield Gross
[illegible]				

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
[illegible]				

MANAGED FUNDS NOTES

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Good rally at the close of an uncertain session

By Terry Byland, UK Stock Market Editor

A successful rally at tha close of a somewhat desultory trading session in UK equities yesterday raised hopes that the market might be about to resume its upward trend. The Bank of England's quarterly inflation report was taken favourahly and UK bonds closed steadily as the market awaited news from the auction of $12bn of US Federal securities.

Most of the day saw shares trading cautiously, with attention focused on New York, which had failed to inspire overnight and was poised ahead of auctions of 10 and 30-year Federal bonds. The FT-SE 100-share Index was 12 points down in early trading.

Equities remained fairly sluggish until late in the afternoon when the Dow Industrial Average ewung round from a dull start to show a gain of 12 points in UK hours. Pushed ahead by a rebound in stock index fntures, the UK stock market rallied and by the close the FT-SE 100 Index stood at 3,072.5 for a trifling net loss of only 0.2. A late feature was an npturn in Wellcome shares on rumours that a "white knight" was about to appear and help ward off Glaxo's £9hn-plus offer.

The Bank of England's inflation bulletin, while not presenting much new information for the market, was regarded as eustaining optimism on the inflation front and thus supporting belief that pressures for further rises in domestic base rates are less strong.

Equity analysts sounded confident that yesterday morning's pause had been no more than a technical check in a solidly bullish market. Hopes were expressed that the January high of 3,076.7 on the Footsie would be challenged early today.

Mr Edmond Warner at Kleinwort Benson told clients that the past week has marked a "critical stage" in the rehabilitation of UK equities and that opportunities to buy inside the Footsie 2,850 to 3,150 range could soon disappear. He believes that equities could outperform gilts hy 10 per cent in the coming months, so that any gilt rally would be "a bonus" for equity returns.

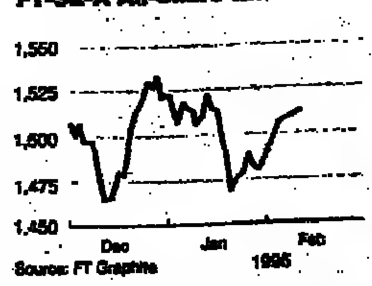
The broader market remained very firm, putting the FT-SE Mid 250 Index ahead by 8 points to 3,415.1. Seaq volume, sluggish at first, jumped to a total of 528.7m shares near the close, compared with 570.1m on Tuesday. Retail, or customer, business in equities was worth £1.63bn in the previous session, again at the high end of daily averages.

The London stock market has been picked by many international funds as the favoured growth sector for 1995, and City analysts believe that investment cash taken out of commodities may be aimed for UK equities.

Stock markets across Europe have been restrained this week by the prospect of the $40bn funding exercise in the US Federal bond market, which will be completed today. This still leaves important hurdles in the shape of the latest US producer prices data, due for release on Friday.

UK analysts also expect share prices to receive further encouragement from the impending corporate reporting season.

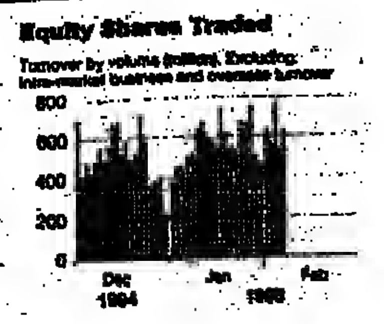
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3072.5	-0.2
FT-SE Mid 250	3415.1	+8.0
FT-SE-A 350	1531.1	+0.7
FT-SE-A All-Share	1513.65	+0.60
FT-SE-A All-Share yield	4.06	(4.06)
FT Ordinary index	2337.7	+4.7
FT-SE-A Non Fins p/e	17.74	(17.74)
FT-SE 100 Fut Mar	3080.0	+3.0
10 yr Gilt yield	8.57	(8.58)
Long gilt/equity yld ratio:	2.12	(2.12)

Best performing sectors

1 Diversified Inds ... +1.1
2 Pharmaceuticals ... +1.0
3 Engineering, Vehicles ... +0.9
4 Tobacco ... +0.9
5 Banks, Merchant ... +0.6

Worst performing sectors

1 Telecommunications ... -1.7
2 Retailers, Food ... -1.2
3 Breweries ... -0.9
4 Media ... -0.9
5 Extractive Inds ... -0.7

Wellcome in late advance

Bid targat Wellcome rebounded 9 to 1020p as the market adjusted to the long awaited final offer document from Glaxo and took its stance on the possibility of a "white knight" counter-bidder making an appearance.

Wellcome is energetically hunting for support and is believed to be in discussions with a number of companies. There were whispers in tbe derivatives markets yesterday that it was poised to enlist the support of Hoechst, the powerful German cbemicals company, or Roche, the Swiss pharmaceuticals and vitamins group. However, it is likely to keep its powder dry until the last possible moment – effectively the end of the month – to avoid giving Glaxo any competitive advantage .

Very few pharmacauticals specialists believe anyone will top Glaxo's £9bn-plus hid. But Dr Jonathan Gelles of Wertheim Schroder, who predicted the takeover battle more than six months ago, argued that whatever happens there could ultimately be more cash on the table. He said that, in the event of a rival offer, Glaxo's bid "could go 200p higher and still be non-dilutive". Glaxo shares improved 5 to 654p.

SmithKline Beecham rallied after announcing that its carvedilol drug was proving to be very effective in reducing deaths from congestive heart failure in the US. The shares, down 2 at one stage, moved sbarply forward to close 7 higher at 490p, with strong support from the US.

Selling of BT

A sellar of a block of 4m shares triggered a session of extreme nervousness in BT ahead of this morning's third-quarter figures.

The stock retreated 8½ to 396p amid exceptionally heavy turnover of 19m, tbe third highest single day's activity for 17 months. A block of 3m shares was seen to bave changed hands at 398p in mid-morning.

BT's profits are expected to show a *small fall* from a comparable £698m, witb forecasts ranging from £648m to £660m, in the wake of price cuts and redundancy costs.

Dealers pointed out that BT shares had outperformed tha FT-SE 100-sbare Index hy around 4 per cent since the start of the year and were due for a correction.

BA firmer

Hopes for an end to price softness on North Atlantic routes following rate increases hy Swissair left Britisb Airways 3 higher at 384p in 6.2m turnover. The Swiss carrier's move was in response to price rises hy US airlines and it led some analysts in London to talk of an end to air fare wars. In contrast, the prospect of rising travel costs led to a fall of 8 to 455p at airports group BAA, which unveils its latest traffic flow figures (for January) on Monday.

UBS's equity strategist pushed P&O to the top of the house's most favoured stocks list and the shares added 4 at 582p. Mersey Docks jumped 24 to 389p ahead of next Wednesday's results. These are widely expected to show growth of up to 50 per cent.

Sentimant in the recs was tilting in favour of the UK authorities allowing the Trafalgar House bid for Northern Electric to continue. Northern leapt 19 to 978p, while Seeboard spearheaded the rest of the recs, gaining 17 at 431p.

Confirmation of the departure of two senior executives triggered a sharp fall in S.G. Warburg, the merchant bank. The stock was additionally weakened by a flurry of *switching* out of the shares and into Kleinwort Benson, anotber of the UK's leading merchant banks. The switch recommendation was said to have emanated from NatWest Securities.

Dealers said the market was dismayed at the defection of two leading figures in Warburg's equity capital markets division to Morgan Grenfell, the merchant banking arm of Deutsche Bank. Tha view of many traders in the market remains that a bid for Warburg remains very much on the cards. Warburg declined 12 to 736p and Kleinwort rose 7 to 627p. Schroders moved ahead 40 to 1523p.

Lloyds Bank edged forward 6 to 551p, but there were concerns in the market that any further delays of the merger with Cheltenham & Gloucester Building Society may lead to Lloyds having to increase its merger terms. Another worry was that C&G could seek a stock market flotation.

Some big switching ont of National Westminster and into Barclays boosted turnover in the stocks, which ended 3 firmer apiece at 487p and 599p respectively. BZW recently published a strong buy recommendation on Barclays.

A badly handled huying order was behind an advance of 8 to 405p in Royal Bank of Scotland.

Combined turnover of more than 17m shares in Hanson and BTR and 12m volume in Tomkins reflected an active day for diversified industrials. Staveley saw 6.2m turnover.

Hanson hardened 2 to 238p and strong institutional interest was said to be the driving force behind BTR's gain of 8 to 314p. Profit-taking after the recent Wall Street listing-led advance pushed Tomkins 3 lower to 236p. Staveley closed all-square at 166p.

Renters, the international news and financial information group, slid 8½ to 253½p as a result of some negative US press comment on its *Instinet* dealing system.

Compel, the computer group floated on the market last year, moved forward 6 to 115p following the sharp increase in interim profits and an encouraging statement accompanying the figures.

Bid speculation sent food retailer Bndgens 2½ ahead to 31p. The company said it had no comment to make on activity in its shares following an early cross of around 5m shares (around 3 per cent of the company's share capital) done at 29p.

Several market watchers suggested that Rewe, the German group which holds a 29 per cent stake in Budgen, may sell its holding to a possible bidder.

Elsewhere In the retailers, Boots climbed 7½ to 476½ in trade of 3.8m after Smith New Court turned more positive on the stock and placed it on its hold list from a previous sell recommendation.

Sentiment was further enhanced by news that the supervisory board of BASF, the German chemicals giant, had approved its takeover of Boots' drugs division, a deal announced last year.

W.H. Smith put on 3 at 429p after Smith New Court turned a buyer of the shares.

GKN continued to move ahead strongly in the wake of a favourable note from Smith New Court, adding 13 at 582p for a two-day gain of almost 5 per cent. Birmingham hroker Albert E. Sharp rates GKN its preferred share in the vehicles/aerospace sector.

Rumours that Ladbroke was about to announce a disposal saw the shares harden 5½ to 174½p in healthy trade of 3.9m. Elsewhere, it was the turn of second line brewing stocks to react sharply to Tuesday'a news of an Office of Fair Trading investigation into wholesale beer prices.

Analysts suggested that the impact of the inquiry could reduce profits by between 5 and 10 per cent. Greenalls tumbled 15 to 414p. Vaux 9 to 216p and Wolverhampton & Dudley 15 to 487p.

FINANCIAL TIMES EQUITY INDICES

	Feb 8	Feb 7	Feb 6	Feb 3	Feb 2	Yr ago	*High	*Low
Ordinary Share	2337.7	2333.0	2320.3	2319.8	2303.3	2634.2	2713.6	2238.3
Ord. div. yield	4.50	4.51	4.52	4.51	4.54	3.52	4.68	3.43
Earn. yld. % full	6.66	6.65	6.64	6.63	6.65	3.98	6.84	3.82
P/E ratio net	17.82	17.85	17.86	17.90	17.81	31.70	33.43	16.91
P/E ratio nil	16.95	16.93	16.93	16.97	16.86	29.39	30.80	16.37

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94, low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2329.3	2329.8	2332.4	2331.3	2329.2	2333.1	2332.9	2332.8	2335.0	2337.7	2325.9

	Feb 6	Feb 7	Feb 6	Feb 3	Feb 2	Yr ago
SEAQ bargains	19,972	23,982	23,169	21,316	19,842	35,951
Equity turnover (£m)†	-	1633.1	1330.6	2276.8	1447.8	2040.7
Equity bargains†	-	31,593	32,566	31,175	26,367	40,539
Shares traded (ml)†	-	629.5	568.5	779.3	569.1	877.9

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	584	Total Highs	28	Total contracts	52,033
Total Falls	645	Total Lows	99	Calls	15,658
Same	1,715			Puts	36,375

Feb. 8 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3072.0	3080.0	+3.0	3089.0	3064.0	8638	60221
Jun	3082.0	3089.5	+3.0	3090.0	3075.0	101	5831
Sep	3105.0	3113.5	+3.0	3105.0	3105.0	98	36

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3400.0	3405.0	-7.5	3410.0	3400.0	84	4051

FT-SE 100 INDEX OPTION (LIFFE) (*3071) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Feb	182	1½	133	2½	86½	7	44½	16	16	39	4½	60	1	130	1	180
Mar	189½	11	146½	18	108½	27½	72	43	44½	65½	25	97½	12½	137	5½	183
Apr	200	25½	163	37½	126	52	97	71½	70½	95	48½	133	32½	157½	20½	159½
May	216	34	179½	47	146½	63	116½	83	90½	107	68½	135	50½	168	38	204½
Jun†	229½	45½			163	77			107	121½			86	179		

Calls 4,080 Puts 3,813

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Feb	188½	1	108	2	84½	9	28½	23½	8½	52½	3	96½	1	144	1	194
Mar	165½	12	134	19½	87½	33	68½	51½	35	77½	17	111½	8	152	3	197
Apr	179½	30	143	42½	110½	59½	83½	82	61	109	43	140	29½	178	19½	215
Jun	215	54½			150½	87½			98½	133			60	192½		
Sept†	253½	72½			191½	108½			138	149			85	202		

Calls 3,379 Puts 4,012 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
Jeffrey Brown.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
$10	F.P.	34.2	625	565	First Russian Fr	570		-	-	-	-
-	F.P.	34.1	96	93	Gartmore Mic Ind	96		-	-	-	-
-	F.P.	2.91	41	38	Do. Warrants	41		-	-	-	-
-	F.P.	27.9	55	51¼	Lazard Bids India	53¼	+¼	-	-	-	-
-	F.P.	3.28	32½	29¾	Do Warrants	31½		-	-	-	-
35	F.P.	22.1	36	34	MCIT S Cap	34		-	-	-	-
35	P.P.	23.4	36	36	MCIT S Inc	36		-	-	-	-
100	F.P.	40.5	94	80	Matheson Lloyds	81		-	-	-	-
-	F.P.	18.0	130	90	Pentex Oil	90		-	-	-	-
-	F.P.	4.30	10¼	10½	Wessex Trust	10¾		-	-	-	-
-	F.P.	262.1	128	116	Woodchester Units	125		-	-	-	-

FT GOLD MINES INDEX

	Feb 7	% chg on day	Feb 6	Feb 3	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1868.38	-2.0	1882.36	1706.63	2004.91	2.30	2337.98	1637.81
Regional Indices								
Africa (18)	2551.82	-2.4	2614.26	2683.81	2827.17	5.38	3711.87	2304.45
Australasia (7)	1870.20	-4.9	1966.36	1980.72	2770.65	0.89	2951.40	1943.81
North America (11)	1366.39	-1.0	1380.88	1379.75	1766.72	0.82	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Feb 8 : 194.4 , day's change: +4.3 Year ago: 214.8 † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 8	Day's chge%	Feb 7	Feb 6	Feb 3	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3072.5	—	3072.7	3062.0	3059.7	3429.1	4.24	7.24	16.35	4.32	1174.70
FT-SE Mid 250	3415.1	+0.2	3407.1	3395.8	3390.2	4101.1	3.72	6.46	18.45	9.13	1290.11
FT-SE Mid 250 ex Inv Trusts	3421.9	+0.3	3411.4	3401.7	3398.0	4116.1	3.87	6.99	17.18	9.24	1290.87
FT-SE-A 350	1531.1	—	1530.4	1525.1	1523.7	1738.0	4.12	7.08	16.78	2.59	1198.28
FT-SE-A 350 Higher Yield	1555.5	+0.2	1552.6	1548.4	1549.7	1742.9	5.15	7.56	15.84	3.46	1000.97
FT-SE-A 350 Lower Yield	1506.3	-0.1	1507.7	1501.5	1497.3	1688.6	3.08	6.56	17.85	1.74	994.06
FT-SE SmallCap	1714.66	—	1715.50	1714.73	1712.38	2081.60	3.39	6.50	19.27	3.46	1342.93
FT-SE SmallCap ex Inv Trusts	1691.56	—	1691.56	1691.86	1691.17	2054.77	3.59	7.30	17.38	3.63	1329.46
FT-SE-A ALL-SHARE	1513.65	—	1513.05	1508.21	1506.71	1726.82	4.06	7.02	16.95	2.60	1204.72

FT-SE Actuaries All-Share

	Feb 6	Day's chge%	Feb 7	Feb 6	Feb 3	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2674.59	—	2673.61	2670.07	2671.50	2693.38	3.52	5.06	24.97	0.00	1079.78
12 Extractive Industries(7)	3480.67	-0.7	3504.74	3534.47	3571.34	4033.61	3.48	5.59	22.11	0.00	960.52
15 Oil, Integrated(3)	2681.60	+0.2	2677.34	2667.69	2666.65	2615.75	3.63	5.59	22.26	0.00	1107.38
18 Oil Exploration & Prod(15)	1944.77	+0.3	1939.12	1941.20	1920.61	1986.39	2.51	‡	‡	0.00	1125.21
20 GEN INDUSTRIALS(278)	1817.38	+0.3	1811.88	1803.54	1800.89	2215.43	4.30	5.87	20.34	1.65	935.65
21 Building & Construction(38)	942.14	-0.1	943.44	948.72	948.97	1549.79	4.12	6.71	18.38	0.00	743.90
22 Building Matls & Merchs(31)	1744.82	+0.1	1742.93	1732.75	1720.35	2342.56	4.37	6.33	18.05	0.20	830.50
23 Chemicals(23)	2207.59	—	2207.35	2200.83	2201.78	2490.38	4.28	4.93	25.16	0.50	988.58
24 Diversified Industrials(17)	1798.27	+1.1	1778.81	1771.53	1766.94	2210.82	5.12	6.33	18.24	3.06	982.72
25 Electronic & Elect Equip(36)	1900.72	—	1900.57	1884.11	1882.78	2224.42	3.99	6.75	17.59	2.01	940.22
26 Engineering(72)	1735.27	-0.1	1737.01	1731.82	1732.72	1989.66	3.48	5.66	20.75	2.87	1001.92
27 Engineering, Vehicles(13)	2095.14	+0.9	2076.52	2051.72	2044.20	2444.78	4.77	1.65	80.00†	0.18	1025.69
28 Paper, Pckg & Printing(27)	2694.59	-0.3	2702.75	2682.62	2692.13	2981.69	3.33	5.95	19.40	0.17	1066.63
29 Textiles & Apparel(21)	1484.14	+0.5	1476.85	1476.48	1476.64	2005.55	4.57	6.61	19.66	0.17	849.62
30 CONSUMER GOODS(96)	2859.31	+0.3	2850.48	2861.77	2863.78	2982.81	4.30	7.17	16.29	9.58	997.06
31 Breweries(18)	2143.62	-0.9	2164.17	2232.89	2228.63	2299.54	4.46	8.57	14.04	10.38	981.35
32 Spirits, Wines & Ciders(10)	2575.38	-0.5	2587.49	2577.86	2574.31	3079.33	4.43	7.64	15.47	26.30	879.34
33 Food Producers(24)	2333.66	—	2334.36	2328.29	2334.62	2546.44	4.23	7.54	15.74	14.23	998.86
34 Household Goods(10)	2510.41	+0.3	2504.00	2509.78	2514.89	2824.26	3.54	6.66	18.07	0.45	909.82
36 Health Care(18)	1588.54	-0.1	1589.46	1590.33	1583.10	1877.46	3.14	3.48	38.90	0.58	928.03
37 Pharmaceuticals(13)	3522.85	+1.0	3487.12	3514.13	3523.10	3121.20	4.01	6.13	18.96	0.00	1130.12
38 Tobacco(2)	3808.14	+0.9	3775.02	3741.77	3733.43	4274.24	5.64	9.57	11.41	0.00	856.67
40 SERVICES(231)	1865.77	-0.2	1869.80	1867.75	1854.53	2143.46	3.37	7.30	16.57	3.90	926.65
41 Distributors(32)	2271.58	-0.3	2277.68	2272.58	2286.42	3212.47	4.12	13.68	8.64	1.53	794.26
42 Leisure & Hotels(29)	2102.45	+0.6	2090.49	2087.42	2061.06	2309.28	3.42	5.79	20.83	8.89	1046.89
43 Media(43)	2758.66	-0.9	2782.59	2784.50	2750.44	3318.54	2.56	5.68	20.63	1.92	961.21
44 Retailers, Food(16)	1797.83	-1.2	1818.47	1805.52	1807.17	1620.89	3.66	8.92	13.74	2.54	1066.35
45 Retailers, General(45)	1540.84	+0.1	1539.75	1531.97	1528.52	1795.68	3.48	7.56	16.40	8.11	841.42
48 Support Services(33)	1453.19	-0.1	1454.23	1443.12	1449.20	1795.90	2.89	6.64	17.75	0.69	890.42
49 Transport(21)	2205.09	+0.4	2197.23	2164.85	2157.63	2758.62	3.86	6.89	17.12	3.32	872.28
51 Other Services & Business(7)	1210.27	+0.2	1208.03	1206.19	1199.34	1364.91	3.69	4.58	29.43	4.76	1054.12
60 UTILITIES(37)	2366.84	-0.3	2380.00	2383.51	2356.12	2864.98	4.58	7.87	15.48	6.79	932.52
62 Electricity(17)	2424.13	+0.4	2415.65	2394.31	2387.91	2537.47	4.18	10.43	11.44	19.89	1037.42
64 Gas Distribution(2)	2042.04	—	2042.04	2022.85	2039.09	2248.28	5.87	‡	‡	0.00	959.12
66 Telecommunications(5)	2011.89	-1.7	2046.41	2036.92	2022.42	2356.69	4.06	7.43	16.44	0.00	873.16
68 Water(13)	1695.13	+0.6	1685.28	1672.81	1667.98	2064.23	5.91	14.16	7.71	4.62	884.37
69 NON-FINANCIALS(666)	1641.62	—	1641.53	1636.57	1634.82	1837.29	4.04	6.77	17.74	3.29	1174.91
70 FINANCIALS(119)	2119.05	+0.3	2112.70	2105.44	2106.87	2638.85	4.60	9.48	12.24	0.39	846.23
71 Banks, Retail(9)	2779.57	+0.3	2770.37	2767.10	2761.93	3435.20	4.40	10.16	11.22	0.00	837.05
72 Banks, Merchant(6)	3105.74	+0.6	3087.63	3079.99	3103.31	3710.28	3.58	6.99	12.99	0.00	943.27
73 Insurance(27)	1164.24	+0.3	1160.53	1152.84	1156.20	1492.42	5.66	10.13	11.26	0.51	805.38
74 Life Assurance(6)	2346.58	—	2347.09	2318.50	2324.88	2705.94	5.45	7.94	16.85	0.00	908.18
77 Other Financial(23)	1849.93	+0.1	1847.81	1845.39	1847.78	2246.94	4.06	8.07	14.66	2.11	1000.52
79 Property(46)	1375.26	+0.4	1370.40	1383.69	1370.44	1871.74	4.37	7.76	18.14	0.67	798.36
80 INVESTMENT TRUSTS(133)	2619.18	-0.3	2627.29	2611.55	2594.47	3091.83	2.39	2.05	48.80	4.84	886.59
89 FT-SE-A ALL-SHARE(918)	1513.65	—	1513.05	1508.21	1506.71	1726.82	4.06	7.02	16.95	2.60	1204.72
FT-SE-A Fledgling	983.24	-0.2	985.23	986.10	985.59	-	2.82	-	-	2.06	985.27
FT-SE-A Fledgling ex Inv Trusts	984.99	-0.2	987.00	988.32	988.39	-	3.07	-	-	2.20	987.17

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3066.2	3068.3	3068.4	3064.0	3060.7	3065.1	3064.2	3064.9	3071.0	3072.8	3060.7
FT-SE Mid 250	3403.7	3405.1	3408.5	3409.2	3407.5	3407.2	3409.3	3410.3	3413.6	3415.1	3403.0
FT-SE-A 350	1527.6	1528.5	1528.1	1527.8	1525.8	1527.5	1527.4	1527.7	1530.4	1531.1	1525.8

Time of FT-SE 100 Day's high: 4.30pm Day's low: 11.54am. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	880.9	881.3	881.8	881.4	881.4	881.0	881.8	881.4	881.5	881.5	882.7	-1.2
Pharmaceuticls	3449.8	3446.9	3438.0	3442.3	3443.9	3457.7	3458.2	3466.7	3489.7	3493.9	3458.5	+35.4
Water	1679.9	1680.5	1692.3	1692.3	1691.4	1691.1	1690.8	1690.0	1689.6	1689.4	1679.4	+10.0
Banks, Retail	2804.5	2812.7	2813.5	2808.3	2809.2	2817.1	2814.2	2814.2	2814.4	2815.0	2805.7	+9.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

Major Stocks Yesterday

	Vol 000s	Closing price	Day's change
3i†	43	336	+1½
ASDA Group†	13,000	60	
Abbey National†	1,700	433	+4
Albert Fisher	3,700	44	+2
Allied Domecq†	440	514	-1
Anglian Water	665	477	+4
Argos	483	346	-1
Argyll Group†	4,800	278	-4
Arjo Wiggins†	1,300	230	+1
Assoc. Brit. Foods†	365	603	
Assoc. Brit. Ports	361	275	+1
BAA†	2,000	455	-8
BAT Inds†	5,100	466	+4
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 8 / Sch)

BELGIUM/LUXEMBOURG (Feb 8 / Frs.)

CZECH REP (Feb 8 / Koruna)

DENMARK (Feb 8 / Kr)

FINLAND (Feb 8 / Mks)

MetsB8	189	...	216	184	1.1
Nokia	728	-9	770	667	0.4
NokiaP	724	-10	770	666	0.4
OtkmpA	84	-1.50	92.70	82.90	...
Partek	60	+1	66.50	57.80	...
PohjA	53	...	67.50	51	1.9
PohjB	51	+.20	53.50	47.80	2.9
RautK	38.40	-.60	41.50	38	...
Repola	82.50	-.50	88.70	50	1.2
SampoA	209	-2	220	184	...
Skopbk	2.08	...	2.40	2.03	...
Stockm	245	...	262	235	2.4
StckmB	210	-3	240	205	2.8
Tampell	11.80	-.20	18.10	11.80	...
Tamro	23	-.40	28.80	21.90	...
Unitas	11.30	-.20	19	11	...
Unitas	11.50	...	10	10.90	...
Valmet	85	-2	90	85	...

FRANCE (Feb 8 / Frs.)

GERMANY (Feb 8 / Dm.)

GREECE (Feb 8 / Drachma)

ITALY (Feb 8 / Lire)

NETHERLANDS (Feb 8 / Fls.)

NORWAY (Feb 8 / Kroner)

POLAND (Feb 7 / Zloty)

PORTUGAL (Feb 8 / Escudo)

SPAIN (Feb 8 / Pts.)

SWEDEN (Feb 8 / Kronor)

SWITZERLAND (Feb 8 / Fr.)

TURKEY (Feb 8 / Tk Lira)

PACIFIC

JAPAN (Feb 8 / Yen)

HONG KONG (Feb 8 / H.K.$)

INDONESIA (Feb 8 / Rupiah)

MALAYSIA (Feb 8 / MYR)

NEW ZEALAND (Feb 8 / NZ $)

SINGAPORE (Feb 8 / S$)

AUSTRALIA (Feb 8 / Aust$)

SOUTH KOREA (Feb 8 / Won)

TAIWAN (Feb 8 / TW $)

THAILAND (Feb 8 / Baht)

AFRICA

SOUTH AFRICA (Feb 8 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 8 / Can $)

4 pm close

MONTREAL (Feb 8 / Can $)

4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‖ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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INDICES

	Feb 8	Feb 7	Feb 6	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	14998.83	15134.03	25478.40	16/2/94	13686.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1823.3	1845.8	1862.9	2340.60	3/2/94	1823.30	8/2/95
All Mining(1/1/80)	795.3	817.8	831.5	1138.10	3/2/94	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	362.99	363.55	362.60	488.66	2/2/94	361.34	3/2/95
Traded Index(2/1/91)	974.38	977.90	974.83	1222.25	1/2/94	969.39	3/2/95
Belgium							
BEL20 (1/1/91)	1347.09	1358.71	1365.41	1642.65	9/2/94	1336.38	7/10/94
Brazil							
Bovespa (29/12/83)	(c)	38374.0	38258.0	55110.00	13/9/94	3800.88	3/1/94
Canada							
Metals Minls♦(1975)	(c)	3822.33	3864.05	4328.07	18/1/95	3208.66	20/4/94
Composite♦ (1975)	(c)	4101.90	4119.80	4600.88	29/3/94	3939.60	24/6/94
Portfolio§§ (4/1/83)	(c)	2012.94	2024.78	2182.69	1/2/94	1898.46	28/6/94
Chile							
IPSA Gen (31/12/80)	(u)	5477.0	5485.0	5754.40	21/11/94	3094.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	354.86	353.73	354.47	416.70	2/2/94	336.68	20/12/94
Finland							
HEX General(28/12/90)	1891.1	1854.9	1864.0	1972.00	4/2/94	1601.18	3/1/94
France							
SBF 250 (31/12/90)	1223.85	1232.90	1232.91	1585.20	2/2/94	1170.82	23/1/95
CAC 40(31/12/87)	1850.91	1870.44	1872.11	2355.93	2/2/94	1772.94	23/1/95
Germany							
FAZ Aktien(31/12/58)	777.88	779.82	779.43	[illegible]	18/5/94	742.84	5/10/94
Commerzbank(1/12/53)	2209.0	2214.6	2213.4	2465.59	2/5/94	2118.30	5/10/94
DAX (30/12/87)‡	2087.82	2092.49	2089.59	2271.11	18/5/94	1989.59	7/10/94
Greece							
Athens SE(31/12/80)	789.22	799.41	800.23	1194.58	18/1/94	789.22	8/2/95
Hong Kong							
Hang Seng(31/7/64)	7934.83	8004.01	7897.80	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1978)	3549.27	3581.47	3593.24	4630.57	12/9/94	3411.04	24/1/95
Indonesia							
Jakarta Comp.(10/8/82)	451.95	457.33	453.14	612.59	5/1/94	432.86	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1896.12	1897.48	1891.39	2062.18	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	679.03	678.47	680.37	817.17	10/5/94	581.04	13/12/94
MIB General (2/1/95)	1073.0	1080.0	1075.0	1075.00	8/2/95	978.09	10/1/95
Japan							
Nikkei 225 (16/5/49)	18290.25	18500.55	18687.23	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	281.11	285.49	287.47	311.71	13/6/94	274.89	23/1/95
Topix (4/1/68)	1423.75	1445.35	1455.20	1712.73	13/6/94	1390.88	23/1/95
2nd Section (4/1/68)	1890.58	1888.47	1903.82	2542.85	8/7/94	1883.36	3/1/94
Malaysia							
KLSE Comp.(4/4/86)	964.75	975.58	971.98	1314.46	3/1/94	840.57	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1932.26	1953.98	2881.17	8/2/94	1898.90	31/1/95
Netherland							
CBS TtlRtnGen(End 83)	444.5	444.7	444.1	464.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	278.8	279.0	278.6	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1984.13	1985.00	(c)	2439.84	3/2/94	1878.89	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1139.42	1148.26	1145.61	1211.10	28/2/94	960.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2542.23	2594.46	2559.60	3308.37	4/1/94	2374.98	24/1/95
Portugal							
BTA (1977)	2765.5	2762.9	2774.9	3228.80	18/2/94	2862.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	507.45	518.55	519.53	641.61	4/1/94	472.90	23/1/95
South Africa							
JSE Gold (28/9/78)	1542.0	1537.0	1616.2	2534.09	7/9/94	1485.30	30/1/95
JSE Indl. (28/9/78)	6379.0	6448.4	6544.6	6894.40	30/12/94	5446.09	19/1/94
South Korea							
KoreaCompEx(4/1/80)**	938.33	942.52	945.27	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	287.80	288.91	290.08	369.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvarldsGen (1/2/37)	1539.50	1549.80	1553.40	1802.98	31/1/94	1324.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1242.65	1245.01	1248.30	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	920.73	923.41	921.78	1098.29	31/1/94	878.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6526.74	6591.82	6417.28	7181.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1314.34	1329.25	1330.42	1753.73	4/1/94	1181.26	23/1/95
Turkey							
Istanbul Comp.(Jan 1986)	26321.0	26379.8	25980.0	29145.10	2/12/94	12998.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	613.8*	615.9	617.4	649.80	2/11/94	561.60	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1334.40	1340.47	1338.28	1518.19	31/1/94	1196.48	5/10/94
Euro Top-100 (26/6/90)	1184.66	1189.18	1187.93	1311.01	2/2/94	1139.48	5/10/94
JCapelDbgns (31/12/88)	(c)	294.27	292.31	305.19	5/1/94	261.46	23/1/95
Barings Emerg.(7/1/92)	142.92	144.92	145.58	193.78	26/9/94	134.07	31/1/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40							
Feb	1885.0	1876.0	-2.0	1890.0	1874.0	19,325	22,885
Mar	1891.5	1884.0	-1.5	1896.5	1884.0	455	22,857
■ DAX							
Mar	2097.0	2100.0	-6.0	2101.5	2092.0	11,201	N/A
Jun	2118.0	2120.0	-6.0	2120.0	2112.5	973	N/A
■ OMX							
Feb	1185.05	1180.00	-9.50	1185.00	1178.50	3,544	21,009
Mar	1188.75	1185.50	-9.50	1189.50	1185.00	120	1,320
■ SOFFEX							
Feb	2627.0	2617.5	-9.5	2628.0	2610.0	3,655	14,528
Mar	2634.0	2625.0	-11.6	2634.8	2623.0	31	1,040

** Sat Feb 4 : Taiwan Weighted Price 6328.38; Korea Comp Ex 951.88. Base values of all Indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 28 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 8 - 2087.78 -5.23.

US INDICES

Dow Jones	Feb 7	Feb 6	Feb 3	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3837.39	3837.73	3828.64	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	96.53	95.51	95.43	105.66 (21/1/94)	93.58 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1499.74	1508.50	1511.15	1862.29 (2/2/94)	1371.80 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	196.35	195.10	195.62	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3860.27 (3864.31) Low 3807.40 (3800.64) (Theoretical♦)
Day's high 3841.70 (3848.93) Low 3824.94 (3820.57) (Actual♦)

Standard and Poors	Feb 7	Feb 6	Feb 3	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	480.81	481.14	478.64	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	566.93	567.33	563.89	567.33 (6/2/95)	510.05 (21/4/94)	567.33 (6/2/95)	3.62 (21/6/82)
Financial	46.59	46.71	46.46	48.94 (14/6/94)	39.87 (22/11/94)	48.48 (29/9/93)	8.64 (1/10/74)
NYSE Comp.	261.64	261.75	260.44	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	443.14	443.12	442.43	487.89 (2/2/94)	420.23 (13/12/94)	487.80 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	778.07	778.05	772.08	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Feb 3	Jan 27	Jan 20	Year ago
Dow Jones Ind. Div. Yield	2.79	2.79	2.77	2.62
	Feb 1	Jan 25	Jan 18	Year ago
S & P Ind. Div. yield	2.42	2.43	2.40	2.512
S & P Ind. P/E ratio	18.96	18.90	19.08	26.96

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
WMX Tech	6,258,300	27¼	-1¼
Telefonos	3,819,200	34	-¾
Nat Semi	3,567,400	17¼	-1½
EMC Corp	3,326,500	16¼	-⅝
K Mart	3,219,300	14⅝	+½
Sears	3,205,000	45⅞	-⅛
PepsiCo	3,192,800	37⅞	-¾
Time Warner	3,190,400	39	+1¼
Ford Motor	3,059,900	25½	-⅛
Stone Cont	2,804,500	20⅝	+1

■ TRADING ACTIVITY

● Volume (million)	Feb 7	Feb 6	Feb 3
New York SE	314.688	325.622	440.949
Amex	14.111	14.433	18.004
NASDAQ	300.641	272.908	356.758
NYSE			
Issues Traded	2,937	2,837	2,933
Rises	1,214	1,379	1,851
Falls	938	879	526
Unchanged	785	688	556
New Highs	65	89	94
New Lows	18	18	38

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	483.90	482.50	-0.50	483.00	482.10	56,084	197,377
Jun	486.60	486.50	-0.40	486.80	486.45	691	16,276
■ Nikkei 225							
Mar	18500.0	18350.0	-280.0	18530.0	18180.0	44,017	127,802
Jun	18550.0	18320.0	-360.0	18560.0	18260.0	5,025	10,824

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, February 8, 1995.

	Stocks Traded	Closing Prices	Change on day
Penta Ocean	18.0m	884	-18
Fudo Const	16.9m	1,240	-40
Sakai Ovex	10.6m	810	+18
Sumitomo Const	8.9m	720	-21
Aoki Corp	8.6m	594	-12
Toyo Const	7.8m	708	-35
Showa Sangyo	4.1m	418	-9
Obayashi Corp	3.7m	755	-7
Nippon Carbon	3.7m	418	+25
Daisue Const	3.5m	674	-11

4 pm close February 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14¾	13	AAR	0.48	3.6	24	42	13⅝	13½	13½	-⅛
21⅞	19¾	A L Labs A	0.18	0.9	47	169	21½	20⅞	20⅞	-⅛
75¾	70⅞	AMP	1.84	2.6	20	2022	71⅛	70⅞	71	+⅛
59⅞	53⅞	AMR			25	3774	57⅛	55¾	56½	-⅛
46⅞	41⅞	ASA	1.71	3.9	28	639	44¼	43⅝	44¼	+⅞
36	30¾	AbbtL	0.76	2.2	16	10090	35⅝	34⅞	35	-⅛
14	13¼	Abitibi Pr	0.50	3.7	12	138	13½	d13¼	13⅜	-⅛
24⅞	22⅜	ABM Ind	0.60	2.5	14	15	24⅛	24	24⅛	+⅛
16⅝	14½	Acpincoln			12	100	15⅞	15¼	15⅞	-⅛
23¾	21⅛	ACE Ltd	0.44	1.7	8	86	u25¾	25½	25½	-⅛
9¾	9⅛	ACM Gvt In x	1.08	11.5	6	204	9½	9⅜	9½	
7½	7⅛	ACM GvOpp x	0.80	11.0		37	7¼	d7⅛	7¼	
7⅝	7	ACM Gvt Sp x	0.60	13.0		735	u7½	7¼	7⅛	
8⅝	8	ACM Gvl Se x	1.09	13.1		437	8½	8¼	8⅜	-⅛
8½	7⅝	ACM Man x	1.00	12.7		216	8	7⅞	7⅞	
7⅝	7¼	ACM Mandgd x	0.72	0.8		62	7½	7⅜	7⅜	
18¼	16¼	AcmeClv	0.46	3.0	0	41	16	15¾	16¼	-⅛
21½	12⅛	Acme Elect			22	857	20⅝	10⅛	18¼	-⅛
33½	31⅛	Acordia	0.72	2.2	17	668	u34	32⅞	32¼	+⅛
9¾	8⅝	Actava	0.36	3.7	2	834	u9¾	9¼	9¾	+⅛
18¾	15	Acuson			23	13951	16⅝	d14¼	14¼	-2⅛
16¼	15⅝	Adams Expr	0.36	2.2	0	185	u16⅜	16⅛	16⅜	+⅛
64½	53	Ad Micro	3.00	4.0		94	62⅞	61¼	62	+¼
22¼	23	AdvMic	3.00	8.8	9	11615	31¼	30⅞	30⅝	+⅛
6⅞	5	Advest Grp	0.18	2.7	30	61	6⅝	6	6	-⅛
18½	16½	Advo Inc	0.18	0.5	15	132	u18⅛	18⅜	18½	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE

AMEX CO

Have your F

Financial Times. W

صكناهن الاحيل

4 pm close February 8

NYSE COMPOSITE PRICES

1995 High	1995 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg Prev. Close
		Continued from previous page								
35⅛	33¼	SFePPipe	2.80	0.0	0	48	u35⅜	34¾	35⅛	+⅛
19⅝	17⅛	SanFeP	0.10	0.5	18	22448	u19⅞	19⅝	19¾	+⅜
26¾	24¼	SaraLee	0.68	2.5	54	6290	u27	26⅝	26⅞	+¼
45⅛	42	Scane Corp	2.82	6.3	15	1289	u45⅛	44¾	44⅞	-¼
16¾	14½	Scecrp	1.00	6.1	16	7875	16⅜	16¼	16⅜	
11¼	9⅜	SchawkA	0.26	2.7	34	20	9¾	u9⅝	9⅝	-⅛
48¼	42⅛	SchrerRP			26	374	47¼	46⅝	47¼	+½
79¼	71	SchrPl	2.64	2.6	16	6060	u79⅛	78⅝	78⅞	+½
55¼	50⅛	Schlmb	1.20	2.2	24	3451	u55¼	54⅝	55	+⅛
44⅞	33⅛	Schwab(C)	0.36	0.8	16	1793	43⅛	42	42	-¾
9⅞	7¾	Schwitzer			6	14	8¾	8⅝	8¾	
21¾	17½	SciAtl	0.06	0.5	28	2118	u21⅞	20⅝	20⅞	-¼
18⅛	16⅞	Scotman	0.16	0.8	13	56	17¾	17½	17⅝	
78¾	67⅞	ScottP	0.08	1.0	21	4384	78½	77	77	-⅞
30⅛	26⅞	Scripps	0.44	1.5	10	274	28⅝	29⅞	29⅝	+⅛
21½	15⅞	ScudderNAsF	0.02	0.1		272	17½	17⅝	17⅞	
9⅞	8⅞	ScudderNEuF	0.16	1.8		765	u9⅛	9	9⅛	
14⅞	13⅜	SeaCnB	0.70	4.9	0	3	14⅞	14⅞	14⅞	+⅛
15½	15⅛	SeaC1.4625	1.46	9.5		2	15⅜	15⅜	15⅜	
28	24	S'gate			7	2539	25⅞	25⅜	25⅞	+¼
30½	28⅞	Seagrm	0.60	2.0	14	3499	u30⅝	30¼	30⅜	-⅛
19¾	15¾	Seagull En			183	425	18⅛	16¼	18⅜	
47¼	35⅞	Sealed Air			21	141	41	40¾	40¾	
48⅜	44⅛	SearsR	1.60	3.3	14	35968	48⅛	46⅛	48	+2¼
12	10¾	Seligm Sel	0.84	7.1		15	11⅞	11¾	11⅞	[illegible]

[illegible]

4 pm close February 8

NASDAQ NATIONAL MARKET

[illegible]

AMEX COMPOSITE PRICES

4 pm close February 8

[illegible]

AMERICA

Bond market ignored as S & P 500 peaks

Wall Street

The Standard & Poor's 500 index pushed to a record high yesterday morning as US shares added to recent gains, in spite of a sluggish bond market and a lower dollar, *writes Lisa Bransten in New York.*

At 12.30 pm the S & P 500 had risen 0.61 to 482.29, surpassing its previous record of 482.00. The narrower based Dow Jones Industrial Average was up 9.42 at 3,946.81, and the American Stock Exchange composite rose 1.61 to 444.75. The Nasdaq composite increased by 2.52 to 781.49. Volume on the New York SE was 170m shares.

In the past six sessions the Dow has gained more than 105 points. The steady rise was highlighted by a rally on Friday that saw blue chip shares soar nearly 58 points after surprisingly high jobless figures led investors to speculate that the Federal Reserve might not raise interest rates again in the near term. The rally was only slightly tarnished on Tuesday as both the S & P 500 and the Dow inched down about a third of a point each.

The market brushed off declining bond and curreocy markets. In morning trading the long bond slipped an eighth of a point and the dollar slipped against the Japanese yen and the D-Mark.

In percentage terms, the Nasdaq was up more than the Dow as Intel gained $1⅞ at $74⅞. Other Nasdaq-traded technology shares also posted gains. Apple Computer rose $1 1/16 at $41⅞ and Microsoft climbed $⅜ at $61⅞.

Cyclicals underperformed consumer shares, according to the Morgan Stanley indices of those sectors. The cyclical index lost 0.12 per cent, while the consumer index rose by nearly the same amount. Investors generally buy consumer shares when they are fearful of economic slowing.

Aluminum Company of America, down $1⅛ at $78⅜ and Goodyear Tire & Rubber, off $⅝ at $36¼, were among the biggest losers in the cyclical index, eacb posting losses of about 1.7 per cent. On the consumer index Anheuser Busch rose $⅝ at $54¼ and Albertson's was up $⅜ at $31.

Burlington Northern rose $1⅛ at $52¼ after shareholders of the railroad company approved the purchase of Santa Fe Pacific. Santa Fe shares rose $⅜ at $19¼.

Class A shares in Reader's Digest lost $2 at $46⅞ after an analyst at Goldman Sschs downgraded the shares to "market performer" from "market ontperformer". On Tuesday the media company reported earnings tbat were well above expectations.

Canada

Toronto was weak at midday, depressed by deeper losses in base metal stocks, and the TSE 300 composite index was 11.1 lower at 4,089.90 by noon in volume of 32.6m shares.

The metals and minerals group receded 2.1 per cent, leading losses among nine of the market's 14 sub-indices. Otber sluggisb sectors included golds, transport, forestry and energy.

Among metals stocks, Alcan Aluminium declined C$⅜ to C$34½, while Falconbridge was C$⅝ lower at C$21⅞.

Mexico

Equities were little changed by midsession, the IPC index gaining 5.62 at 1,967.88.

Kleinwort Bensoo's Latin American strategists, Mr Roger Palmer and Ms Janet Krengel, said yesterday that the outlook for Mexico looked worse than many had expected. Consequently "active portfolios should have virtually no exposure to Mexico at present", they said.

They expected real GDP to fall by 3.5 per ceot in 1995, largely owing to a sharp contraction in private consumption, while inflatioo would touch 25 per cent. While the current account deficit could fall to around $7bn, and the peso should stabilise, the strategists warned that interest rates would have to remain very high for several months, further depressing corporate profits.

"The political scene is far from encouraging, with a growing risk of internal strife as the pain takes hold," they added.

Brazil

Shares in São Paulo fell 1 per cent in light midday trade. The Bovespa index was off 353 at 36,021 in turnover of R$114.9m ($137.6m). Analysts said that worries persisted over the future of Telebras, off 0.8 per cent at R$30.40, following comments from the government that it might not privatise the telecom group.

SOUTH AFRICA

Johannesburg was mostly lower after a volatile, nervons day in whicb industrials bore the brunt of the damage, although a mild recovery was seen in gold shares without any improvement in the bullion price.

The overall index shed 25.7 to 5,187.5 and industrials were 71.2 lower at 6,377.2. Golds picked up 4.5 points to 1,540.7, after Tuesday's 4.1 per cent tumble, with a stronger financial rand in the afternoon lifting gold shares off morning lows after heavy US selling.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Feb. 3 1995	% Change over week	% Change on Dec '94	Local currency terms: Feb. 3 1995	% Change over week	% Change on Dec '94
Latin America	(258)	505.08	+2.0	-13.0			
Argentina	(30)	712.34	+2.1	-3.0	437,370.97	+2.2	-2.8
Brazil	(72)	350.54	+2.2	-8.8	1,101,145,171	+1.6	-8.5
Chile	(36)	764.39	+1.0	-2.5	1,256.50	+1.6	-0.3
Colombia[1]	(16)	905.56	+0.8	+11.6	1,358.94	-0.5	+13.7
Mexico	(72)	462.13	+2.9	-24.0	1,081.51	-0.8	-16.2
Peru[2]	(20)	148.83	-0.0	-18.5	199.03	+0.3	-16.3
Venezuela[3]	(12)	437.64	-8.8	-11.6	1,709.01	-8.8	-11.6
Asia	(659)	230.62	+5.1	-7.5			
China[4]	(20)	64.62	-0.3	-14.8	68.91	-0.3	-14.9
South Korea[5]	(159)	124.28	+2.7	-9.1	129.60	+3.2	-8.8
Philippines	(25)	263.88	+6.0	-11.5	316.14	+6.8	-10.0
Taiwan, China[6]	(93)	145.00	+0.0	-13.8	143.12	+0.0	-11.8
India[7]	(103)	111.03	+2.8	-10.1	123.76	+2.8	-10.1
Indonesia[8]	(42)	95.42	+3.5	-4.4	115.01	+3.5	-3.4
Malaysia	(114)	251.40	+6.6	-6.5	236.90	+6.5	-6.5
Pakistan[9]	(36)	319.13	+3.2	-12.8	446.79	+3.2	-12.7
Sri Lanka[10]	(19)	158.36	-4.5	-7.9	171.56	-4.5	-7.5
Thailand	(68)	368.79	+5.5	-3.8	366.69	+5.5	-4.0
Euro/Mid East	(147)	108.13	-0.8	-8.7			
Greece	(40)	212.31	-2.0	-5.9	342.49	-1.1	-6.9
Hungary[11]	(5)	115.17	-8.4	-24.1	157.78	-7.2	-23.6
Jordan	(8)	151.61	-1.4	+1.1	223.51	-1.1	+0.5
Poland[12]	(16)	358.04	-11.0	-23.7	550.42	-9.8	-23.6
Portugal	(29)	115.43	+2.3	-4.7	125.11	+3.2	-5.6
Turkey[13]	(44)	109.15	-0.1	-10.3	2,083.71	+0.3	-5.8
Zimbabwe[14]	(5)	256.58	-2.3	+4.9	317.52	-2.1	+5.3
Composite	(1064)	276.43	+3.3	-10.1			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)June 2 1993.

Investors who put their money into emerging market funds exposed to Brazil at the start of 1993 finished the year with substantial profits, *writes John Pitt.* In a survey of emerging markets fund performance during 1994, conducted by Micropal, the top 10 were all Brazilian country funds; Brazilian Investments, managed by Baco Bozano Simonsen, led the way with a gain of 123.7 per cent in dollar terms.

In spite of the Mexican crisis at the end of 1994, the positive performance of Brazil is expected to continue this year as a whole. Indeed, Micropal has found that the only market to receive any significant net buying in the last two months of 1994 was Brazil, which now also has a bigger market capitalisation than Mexico, based on those equities which *are* available for purchase by foreign investors.

Following the falloot in Mexico it has been estimated that a total of $1.4bn in net assets was wiped off Latin American regional funds in the period between November to the end of December. However, this was due entirely to losses in the market values of portfolio holdings, owing to falling stock markets. Micropal adds that portfolio advisers did not seem to be under pressure to sell stocks to meet redemption demands during this two-month period. "We did note," Micropal continues, "that they have raised their cash weightings from 5.35 per cent to 7.41 per cent . . . and suspect this increase in liquidity is partly in anticipation of a rise in redemptions in January and February once investors realise the full impact on their net worth of the markets' declines."

EUROPE

Results leave Rhône Poulenc down 5%

Cootrasts appeared among European investment strategists, *writes Our Markets Staff.*

At CS First Boston, Mr François Langlade Demoyen said that stable bond markets, plus a neutral environment in the US over the next six months, should allow European equity markets to race ahead for the rest of 1995. Nomura, meanwhile, moved to a more defensive stance, with higher weights for the Netherlands and Switzerland.

PARIS featured a 5 per cent drop in Rhône-Poulenc, reflecting disappointment with the chemical group's 1994 results, which came in at the lower end of analysts' expectations.

The shares finished FFr6.70 down at FFr129.50 as the CAC-40 index lost 19.53 or 1 per cent at 1,850.91.

Market turnover amounted to FFr4.9bn.

Analysts who met Rhône-Poulenc management yesterday said the 1994 results included forex losses and write-offs in a number of divisions. The company forecast higher earnings this year but a number of brokers yesterday cut their predictions for 1995.

Valeo, the motor components group, was heavily traded on the announcement that the finance director had resigned and on a rumour that Mr Noel Goutard, the chairman, might also quit. Valeo shed FFr4 or 1.6 per cent to FFr240 in some 262,000 shares traded.

Active stocks also featured those entering or leaving the CAC-40 index at the close of business yesterday. Among them, Eurotunnel, which replaces Euro Disney, climbed 90 centimes or 3.5 per cent to FFr26.10 as the latter declined 60 centimes or 5 per cent to FFr11.

Renault, which also enters the index today and denied that it might take a stake in Daimler, lost 20 centimes st FFr183. L'Oreal, which reported an 18.5 per cent increase in 1994 sales, firmed FFr2 to FFr1,167.

FRANKFURT, rangebound, saw traders continuing to push shares around in the hope of attracting some business, said Mr Jens Wiecking at Merck Finck in Düsseldorf. The Dax index fell 4.87 to 2,067.62 on the session, and went nowhere by the end of the afternoon, with an Ibis-indicated post-bourse close of 2,087.78.

Turnover fell from DM6.3bn to DM5.6bn. Daimler dropped DM8.80 to DM715.20 after Renault denied that it would buy the Deutsche Bank stake in the company; Deutsche Babcock receded a further DM3 to DM192, against a 1994 high of DM286.50, as efforts to restore its bombed-out market rating fell away.

Growth stocks did better. Computer 2000 climbed DM27 to DM494 on a 41 per cent jump in first-quarter sales, although brokers recalled its 1994 troubles and a drop from a high of DM960 that year. Goldman Sachs renewed its support for Schering after the results and the shares rose DM16.50 to DM1,119.

MILAN finished easier, although insurance stocks contlnoed to attract interest following Tuesday's news that a tax on private pension funds has been suspended until June 15. The Comit index rose by 2.56 to 679.03 but the real time Mibtel index finished 31 lower at 10,852.

Alleanza outperformed the insurers, moving ahead L299 to L17,689 amid reports that some investors were switching from Generali.

Generall was still L211 higher at L39,881. Ms Melinda Diamond at Société Générale Equities International, who recommends the stock, commented that the Dini government had presented the real prospect of company "TFR funds" – bonuses given to long serving employees when they leave – being used as the foundation for the development of corporate pension schemes, which were currently minimally developed in Italy.

Stet slipped L45 to L5,090 after the company confirmed that it was in talks with IBM about a possible global alliance in the areas of telecommunications and information services.

ZURICH was lower on profit-taking in very quiet trading after the market's recently strong run, and the SMI index slipped 10.6 to 2,617.4.

The leading pharmaceuticals were lower but second-line drug issues fared better. Immuno appreciated SFr45 to SFr610 on buy orders from one bank, and EMS added SFr30 at SFr3,650.

UBS bearer shares were down SFr12 to SFr1,037, little moved by a court ruling that seemed supportive of its position in the dispute with BK Vision.

AMSTERDAM shed most of Tuesday's gain, and the AEX index dipped 0.60 to 413.53.

NedLloyd, the transport group which denied that it might make a bid for Van Ommeren, also active in that sector, fell 30 cents to Fl 53.70. The latter rose against the underlying trend by Fl 1.00 to Fl 47.80. Also in transport, Pak*hoed* put on 20 cents at Fl 49.70.

MADRID continued to ease after last week's recovery, the general index relinquishing another 1.31 at 287.60 on profit-taking. Tabacalera rose Pta110 to Pta3,900.

ATHENS set a new 1994-95 low in beavy-to-moderate trade, flinching at news thet a Turkish warplane, alleged to have violated Greek airspace, had crashed into the Aegean Sea. The general index closed 10.19 or 1.3 per cent down at 789.22.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Feb 8 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1335.49	1334.28	1334.50	1334.19	1334.61	1333.79	1334.15	1334.40
FT-SE Eurotrack 200	1391.00	1389.57	1389.95	1388.58	1389.79	1388.89	1389.63	1389.29

	Feb 7	Feb 6	Feb 3	Feb 2	Feb 1
FT-SE Eurotrack 100	1340.47	1338.28	1324.25	1312.88	1313.47
FT-SE Eurotrack 200	1397.72	1395.17	1383.84	1375.16	1373.89

Base 1000 (26/10/90); High/day: 100 - 1335.60; 200 - 1391.07 Low/day: 100 - 1333.55 200 - 1387.35 † Partial

ASIA PACIFIC

Nikkei easier as Sydney hits 18-month low

Tokyo

A fall in futures prices prompted arbitrage selling as investors continned to take profits on construction stocks. The combination left the Nikkei 225 average 1.1 per cent lower on the day, *writes Emiko Terazono in Tokyo.*

The index slipped a net 210.30 to 18,290.25, after a high of 18,477.24 seen immediately after the opening, and a low of 18,137.07 at the end of the morning session. Bargain hunting by dealers and arbitrage-linked purchases helped to erase some of the afternoon losses.

Volume was 320m shares, against 299m. The Topix index of all first section stocks fell 21.60 or 1.5 per cent to 1,423.75, while the Nikkei 300 shed 4.38 to 261.11. Declines led rises by 842 to 201, with 113 issues unchanged. In London the ISE/Nikkei 50 index eased 2.32 to 1,163.40.

Traders said individual investors had shifted to speculative shares as they became increasingly concerned over the possibility that the Tokyo stock exchange might place some construction issues on its watch list after their post-earthquake climb.

While some analysts argued that private investors would finally give up on equity investment if the rally in construction stocks lost steam, others said individuals were already pessimistic following the sharp fall of Japan Tobacco shares, which were floated last November. "Even the worst case scenario for individuals will only put us back to where we started," commented Mr Jason James at James Capel.

All sectors declined, with mining stocks becoming the heaviest losers: Sumitomo Metal Mining fell Y15 to Y777.

Arbitrage-linked selling hit banks and brokers. Industrial Bank of Japan receded Y170 to Y2,450 and Mitsubishi Bank declined Y80 to Y2,290, while Nomura Securities retreated Y30 to Y1,810.

Sony advanced Y70 to Y4,720 and Fujitsu put on Y3 at Y913.

However, NEC declined Y12 to Y940 as some investors sold the stock and bought its convertible bonds which were listed yesterday.

Construction shares were lower on profit-taking by dealers and individuals. Penta-Ocean Construction, the dredging company, which was the day's most actively traded issue, dipped Y16 to Y884.

In Osaka, the OSE average fell 275.76 to 20,090.67 in volume of 69m shares.

● Mr Nicholas Knight, global strategist at Nomura, has cut his recommended weighting in Japanese equities to 20 per cent from 34 per cent, saying he was adopting a new, cautious approach to the market. Nomura's model equity fund will switch funds to the US, France, Switzerland, the Netherlands, Korea and Singapore.

Roundup

The region saw a day of consolidation and profit-taking after the recent strong rises in a number of centres.

HONG KONG followed four days oo the upgrade with profit-taking, and a reassessment of the background to the 7 per cent advance on Monday and Tuesday. The Hang Seng index relinquished 69.18 or 0.9 per cent at 7,934.83. Turnover fell from HK$5.2bn to HK$2.9bn.

Rumours that foreign securities houses, planning covered warrants issues on leading blue chips, had fuelled the rally earlier in the week with heavy purchases of the underlying stock was said to have encouraged yesterday's fall.

Mainland Chinese stocks listed in Hong Kong benefited from rotational buying and the H share index rose 46.67 or 4.9 per cent to 1,009.19.

SYDNEY closed at an 18-month low as equities were hit by weakness in commodity prices. The All Ordinaries index lost 22.5 at 1,823.3 in turnover of A$596m. The golds index fell 3 per cent and the mining board some 2 per cent.

TAIPEI eased as profits were taken after gains in three consecutive sessions, although steel, paper and plastic stocks remained firm. The weighted index slipped 5.08 to 6,526.74.

BANGKOK continued to consolidate after its recent strong gains. The SET index lost 15.01 at 1,314.24 in moderate trade.

SINGAPORE ran into profit-taking by institutional and retail iovestors. Tbe Straits Times Industrial index fell 27.18 or 1.3 per cent to 2,091.62.

KUALA LUMPUR saw broadly based profit-taking bring a balt to its six-session winning streak, although some renewed, late buying helped to lift shares from their lows.

The composite index ended 10.83 down at 964.75 aftsr touching 959.29. It had risen 135 points in the six sessions.

SEOUL staged a technical rebound after its recent weakness, the composite index firming 15.81 to 958.33. KARACHI continued to bounce back oo short-covering and speculative buying. The KSE 100 rose 33.89 or 1.8 per cent to 1,873.99.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY FEBRUARY 7 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 6 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	160.27	–1.4	152.58	100.67	127.95	142.93	–0.8	4.04	162.51	154.44	102.07	129.35	144.04	187.23	160.27	184.45
Austria (16)	168.23	–0.6	160.15	105.66	134.29	134.25	–0.2	1.21	169.20	160.80	106.27	134.67	134.56	196.86	167.46	186.42
Belgium (35)	187.36	–0.5	159.34	105.13	133.61	130.41	–0.2	4.28	168.24	159.88	105.66	133.90	130.69	177.04	161.53	164.87
Brazil (28)	139.24	–3.7	132.55	87.46	111.15	214.27	–3.9	1.21	144.65	137.47	90.85	115.16	222.86	–	–	–
Canada (103)	126.97	–0.1	120.87	79.75	101.36	126.26	–0.3	2.72	127.15	120.85	79.86	101.21	126.71	141.01	120.54	137.61
Denmark (33)	254.87	–0.2	242.63	160.08	203.46	208.43	0.0	1.42	255.32	242.64	160.35	203.21	209.47	275.27	236.61	264.05
Finland (24)	188.14	–1.1	179.10	118.17	150.19	186.99	–0.6	0.74	190.33	180.88	119.53	151.48	188.70	201.41	133.88	148.70
France (102)	163.61	–0.1	155.75	102.77	130.61	136.38	0.0	3.15	163.80	155.67	102.87	130.37	136.83	181.44	157.79	177.87
Germany (58)	142.25	–0.1	135.42	89.35	113.56	113.56	0.2	1.83	142.42	135.36	89.46	113.35	113.35	150.40	128.37	128.37
Hong Kong (56)	322.37	1.7	306.89	202.48	257.35	319.98	1.6	3.91	317.10	301.38	199.16	252.39	314.73	484.98	277.40	462.80
Ireland (16)	211.07	0.2	200.93	132.57	168.50	192.66	0.4	3.31	210.56	200.10	132.24	167.58	191.95	215.80	177.56	190.92
Italy (58)	81.56	0.5	77.64	51.23	65.11	98.49	0.7	1.58	81.18	77.10	50.96	64.57	97.80	87.78	67.25	74.40
Japan (484)	145.84	–0.7	138.83	91.60	116.42	91.60	–0.7	0.83	146.89	139.59	92.25	116.91	92.25	170.10	139.45	147.59
Malaysia (97)	472.56	0.7	449.86	296.81	377.24	464.55	0.7	1.61	469.23	445.93	294.70	373.47	461.46	594.78	396.16	496.26
Mexico (18)	1105.62	–0.4	1052.51	694.43	882.60	6455.12	–0.3	1.56	1109.65	1054.54	696.90	883.17	6472.62	2647.06	964.79	2603.03
Netherland (19)	219.14	–0.1	208.62	137.64	174.94	172.11	0.1	3.36	219.49	208.53	137.81	174.66	171.90	223.30	191.28	199.58
New Zealand (14)	72.36	–1.2	68.89	45.45	57.77	60.85	–1.0	4.61	73.22	69.58	45.98	58.28	61.44	77.20	62.05	75.07
Norway (23)	214.46	0.1	204.16	134.70	171.20	195.47	0.3	1.77	214.34	203.69	134.61	170.59	194.85	218.03	177.53	196.72
Singapore (44)	346.51	–1.2	329.87	217.66	276.62	233.46	–1.2	1.84	350.91	333.49	220.39	279.30	236.34	401.36	294.66	347.99
South Africa (59)	301.49	–1.0	287.01	189.37	240.68	262.80	–2.3	2.54	304.67	289.54	191.35	242.49	268.83	342.00	205.55	260.24
Spain (38)	133.27	0.0	126.87	83.71	106.39	133.64	–0.3	4.25	133.30	126.67	83.71	106.09	134.08	151.30	124.87	149.59
Sweden (48)	242.43	–0.2	230.79	152.27	193.54	267.65	–0.2	1.52	242.93	230.86	152.57	193.35	268.36	242.93	196.70	220.58
Switzerland (47)	165.55	–0.2	157.59	103.98	132.15	133.50	0.1	1.83	165.91	157.67	104.19	132.04	133.32	169.42	149.91	169.22
Thailand (46)	155.85	0.5	148.37	97.89	124.42	151.67	0.5	2.66	155.07	147.37	97.39	123.42	150.88	–	–	–
United Kingdom (204)	193.90	0.2	184.59	121.79	154.79	184.59	0.3	4.18	193.56	183.95	121.57	154.05	183.95	207.18	181.11	207.12
USA (513)	197.13	–0.1	187.66	123.82	157.37	197.13	–0.1	2.94	197.23	187.43	123.87	156.97	197.23	197.23	176.95	191.94
Americas (862)	181.24	–0.1	172.54	113.84	144.68	151.83	–0.1	2.80	181.42	172.41	113.94	144.39	152.00	–	–	–
Europe (721)	169.80	0.0	161.64	106.65	135.56	151.15	0.2	3.08	169.81	161.38	106.65	135.15	150.86	178.01	160.59	171.68
Nordic (128)	231.95	–0.3	220.81	145.69	185.16	217.66	–0.2	1.40	232.71	221.15	146.15	185.21	218.18	233.91	197.70	212.05
Pacific Basin (909)	153.60	–0.8	146.22	96.48	122.62	100.72	–0.6	1.21	154.50	146.83	97.03	122.97	101.28	176.86	145.93	160.00
Euro-Pacific (1530)	160.25	–0.3	152.56	100.66	127.93	120.25	–0.2	2.04	160.78	152.80	100.98	127.97	120.53	175.14	154.73	164.71
North America (616)	192.79	–0.1	183.53	121.09	153.90	192.48	–0.1	2.84	192.89	183.31	121.14	153.52	192.58	192.89	175.57	188.56
Europe Ex. UK (517)	152.96	–0.1	145.61	96.07	122.11	131.13	0.1	2.46	153.13	145.52	96.17	121.87	131.01	158.12	144.12	149.51
Pacific Ex. Japan (325)	230.36	0.1	219.30	144.69	183.90	203.95	0.3	3.28	230.04	218.62	144.48	183.09	203.32	280.97	211.19	279.06
World Ex. US (1738)	160.80	–0.4	153.08	101.00	128.37	123.30	–0.3	2.05	161.39	153.37	101.36	128.45	123.67	176.65	155.42	166.89
World Ex. UK (2047)	169.49	–0.3	161.35	106.46	135.30	141.50	–0.3	2.15	169.99	161.55	106.76	135.30	141.87	178.59	163.46	170.91
World Ex. Japan (1767)	187.06	–0.1	178.09	117.50	149.34	178.07	0.0	2.94	187.20	177.90	117.57	148.99	178.09	192.00	176.34	189.84
The World Index (2251)	171.65	–0.2	163.40	107.81	137.02	145.38	–0.2	2.34	172.08	163.53	108.07	136.95	145.68	180.80	165.92	174.07

Latest prices were unavailable for this edition.